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Supreme Court, U.S.
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No. _____

IN THE
SUPREME COURT OF THE UNITED STATES

WE CARE TRADING CO., INC.,

Petitioner,

v.

COACH, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether any trade dress protection is possible of an assemblage or arrangement of functional elements.

2. Whether a court after it gave issues to a jury in its principal verdict can also give the same issues to the same jury in an advisory findings and then ignore those findings without violating the 7th Amendment.

PARTIES TO THE PROCEEDING

Including the parties named in the caption of this Petition, the parties are:

Petitioner: We Care Trading Company, Incorporated ("We Care"), a non-governmental corporate party to the proceedings before United States District Court for the Southern District of New York and the United States Court of Appeals for the Second Circuit.

We Care Trading Co., Inc. here discloses that it is a New York company, that there are no parent corporations to We Care Trading Co., Inc. and that there are no publicly held companies which own 10 percent or more of We Care Trading Co, Inc.'s stock.

Respondent: Coach, Inc. ("Coach"), a New York corporation. Petitioner states that there are no parent corporations to Coach, Inc., and that Coach, Inc. is a publicly-traded corporation (NYSE symbol, "COH").

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IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 2002

No. _____

COACH, INC.,

Petitioner,

v.

WE CARE TRA7DING CO., INC., a
New York Corporation,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

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PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

The opinion of the United States District Court for the Southern District of New York (App., infra A-01 through A-44) is reported at 2001 US Dist. LEXIS 9879. The opinion of the United States Court of Appeals for the Second Circuit (App., infra A-45 through A-52) is unpublished.

JURISDICTION

The judgment of the Court of Appeals was entered on May 20, 2002. On June 3, 2002, We Care filed a Petition for Rehearing or Rehearing en Banc with the Court of Appeals for the Second Circuit which was denied on July 19, 2002. The jurisdiction of this Court is invoked under Title 15 and 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The pertinent statutory provisions are reprinted in full below.

U.S.C.S. Fed. Rules Civ. Proc. R. 38 -Jury Trial of Right.

(a) Right Preserved. The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.

U.S.C.S. Fed. Rules Civ. Proc. R. 39 -Trial by Jury or by the Court.

(c) Advisory Jury and Trial by Consent. In all actions not triable of right by a jury the court upon motion or of its own initiative may try any issue with an advisory jury or, except in actions against the United States when a statute of the United States provides for trial without a jury, the court, with the consent of both parties, may order a trial with a jury whose verdict has the same effect as if trial by jury had been a matter of right.

USCS Const. Amend. VII - Trial by Jury in Civil Cases.

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

This action arose from Appellant's alleged infringement of Coach's four element trade dress. During trial, all of Coach's witnesses testified that the four elements of Coach's trade dress were functional. Three of the elements were thick leather; binding to hold the edges together; and brass or nickel hardware (turn locks and zippers). The fourth element was an ordinary square shaped hang tag or luggage tag.

At the conclusion of the trial, the District Court denied We Care's request for the Jury to be charged that the elements must be in an arbitrary arrangement in order for the trade dress to be protectable, in accordance with *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23; 121 S.Ct. 1255; 149 L.Ed.2d 164 (2001). The Court instead charged the jury that the elements are permitted to be in any arrangement for trade dress protection to be granted. Based on the instructions given, the Jury found that Appellant was infringing Coach's trade dress.

For both the verdict and advisory opinion, the Jury was given for consideration the issues of perjury, failure to produce papers in discovery, and bad faith on the part of We Care. The Jury found that Appellant had not committed any acts of bad faith and thus awarded no damages. Nevertheless, the District Court ignored the Jury's findings and awarded attorneys fees and costs to Coach in accordance with a finding of bad faith.

Appellant filed post-trial motions under FRCP Rules 50, 59, 60 and 65, for judgment as a matter of law, a new trial based on the above and amendment of, or relief from, the judgment and injunction, respectively. All of these motions were denied by the Court. Appellant then appealed to the Court of Appeals for the Second Circuit.

The Court of Appeals affirmed the District Court. The Court stated that Coach had proven that the elements were not functional through a showing that the elements of its trade dress were not essential to all handbags. The Court stated, "Coach offered proof that the

combination of elements it claims as its trade dress is not essential to the use or purpose of handbags. Thus, the jury reasonably could have concluded that Coach's trade dress was not functional."

The Court of Appeals did not consider the issue of the District Court's disregard of the Jury's findings when it upheld the award of attorneys fees. The Court held that the award was proper because of the perjury and the lack of production in discovery. In doing so, the Court did not consider the inherent conflict between the Seventh Amendment and the District Court's disregard of the Jury's findings.

REASONS FOR GRANTING THE WRIT

1. There is no conformity among the Circuit Courts as to whether trade dress protection is available for an arrangement of functional features and the *Traffix* decision left a question as to this issue.

Coach obtained the equivalent of a perpetual patent by way of trade dress law, thereby sidestepping the requirements of utility Patent Law. The Second Circuit has allowed Coach to obtain a monopoly over the use of any arrangement of four basic functional elements essential to the construction of almost every handbag. The standard as to the protectability of a combination or arrangement of functional features is at issue.

This decision has provided a path for companies to obtain patents on old functional features to tie up those features forever. Combinations of feature where patents are no longer obtainable because the technology is old and well known are now available for trade dress protection. This not only undermines the patent system but also undermines the economy to the extent that a company is now able to remove well-known old assemblages of functional features from the public domain.

In *Traffix*, this Court held that there is a "well-established rule that trade dress protection may not be claimed for product features that are functional." 532 US 23, 121 S. Ct. 1255, 1259 149 L.E.D. 164. The Court went on to say that, "because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs,..." *Id* at 34. Once the functionality of the design is established, competitors need not explore other designs (assemblages of features); they are permitted to use the design at issue for better functionality of the device. *Id* at 28.

The Court, however, stated, "The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign. *MDI has pointed to nothing arbitrary* about the components of its device *or the way they are assembled.*" *Id* at 34 (emphasis added). This left the question of whether a combination of functional features can still be protectable as trade dress at if they are arranged arbitrarily or otherwise. The Circuits have split on that issue.

The Supreme Court in *Cooper Industries v. Leatherman Tool Group Inc.*, 532 U.S. 424, 121 S. Ct. 1678 (2001), agreed with the Ninth Circuit's determination that the copying of an unpatented product's functional features is lawful. *Id* at 441. In the Ninth Circuit's opinion in *Leatherman Tool Group Inc. v. Cooper Industries*, 199 F.3d 1009 (9th Cir., 1999), the Court stated, "We hold...that in a product configuration case there must be some aspect to the configuration which is nonfunctional...where the whole [of a trade dress] is nothing other than the assemblage of functional parts...it is *semantic trickery* to say that there is still some sort of separate 'overall appearance' which is non-functional." *Id* at 1013 (emphasis added).

The Fifth Circuit in *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH, et. al* 289 F3d 351 (5th Cir., 2002) held that functional product features do not qualify for trade dress protection. *Id* at 355. Once the Court found the features to be functional, the analysis ended. However, the Second Circuit in the present case held, in contrast to the holdings of the other circuit courts, that trade dress protection can exist for an

assemblage of common functional features so long as they are not essential to every item in a field.

In the present case, the District Court held that any combination of functional features was protectable, whether arbitrarily arranged or not, and refused to consider that a functional combination may not be protectable at all.

The District Court also refused to acknowledge that even the most unusual of product designs is intended to render the product more useful.

The Second Circuit Court revised the District Court's analysis, and held that when the features (even if functional) are found to be non-essential to the use or purpose of all handbags in general, the arrangement of functional features not only becomes a protectable trade dress, but also becomes non-functional as a whole. The Court, in its opinion, noted that a Second Circuit case decided before *Traffix* held that an arrangement is protectable if the arrangement is arbitrary, fanciful or suggestive, but chose not to even follow that decision. The present decision is in direct contradiction to the holding of *Traffix*.

By providing trade dress protection for any arrangement of functional features, Coach obtained a perpetual patent on four essential functional features of almost all handbags, these features being: thick, strong leather (sometimes referred to as "glove tanned" leather); leather binding, the standard way of attracting the pieces of leather together at the edges; hardware (brass or nickel) which includes the turn lock and zippers to hold the handbag closed, and a rectangular hangtag in the shape of a price tag, luggage tag or "dog tag". In essence, Coach obtained a patent on leather handbags with brass turnlocks and a luggage tag.

There is clearly a need for a bright line standard to resolve the issue of whether a combination of functional features is protectable at all, or is protectable only if the elements are in an arbitrary or other

arrangement such as not being essential to all products in a generic class. The holding in the present case, if adopted uniformly, would clearly, and erroneously, result in numerous perpetual patents under the laws of trade dress.

2. The District Court's disregard of the Jury's findings was in direct contradiction to the tenants of the Seventh Amendment.

The Jury was asked in its principal determination was asked to decide bad faith issues concerning We Care's use of the trade dress. Several factual questions were submitted to the Jury for consideration, namely whether We Care had: intentionally confused; continued to sell with knowledge of infringement; intended to deceive; willfully intended to dilute; intended to commit unlawful acts; perjured itself; knew that its conduct was unlawful; failed to produce documents in discovery and been aware that its acts of using Coach's alleged trade dress were unlawful.

In considering whether to award damages for contributory trademark infringement, the Jury had to first determine the issue of intent and bad faith. In doing so, the Jury was expressly asked if Defendant had acted in bad faith, to which they answered "no". After hearing all of the evidence, the Jury was asked whether Defendant had "acted deliberately or willfully," "intended to create confusion or deceive customers," or had a "deliberate intention" to dilute. The Jury found no bad faith and therefore awarded no damages for any of the claims.

The Court also asked the Jury to consider the very same questions as an advisory opinion for the Court. The Jury decided the issues of bad faith infringement, intentional deception and unauthorized continuation of sales. The Jury found that there had been no bad faith on the part of Defendant. Despite these findings, in both the principal and advisory verdicts the Judge ignored the Jury's verdicts and handed down a ruling of bad faith. The Court of Appeals, using an abuse of

discretion standard, affirmed the Judge's finding on the basis of perjured testimony and failure to produce documents; the same issues that were in the Jury's principal determination. The Court of Appeal's affirmation of the District Court's decision is contrary to the Seventh Amendment.

The District Court erred in directly contradicting the Jury's verdict of no bad faith. In evaluating conduct, the issue is in the province of the Jury. Because the Jury was presented with the same underlying factual issues, which is the predicate to awarding attorneys fees, the District Court abused its discretion in granting such fees.

The Seventh Amendment holds "no fact tried by a jury shall be otherwise re-examined in any court of the United States". FRCP 38(a) preserves the "right of trial by jury as declared by the Seventh Amendment to the Constitution". FRCP 39(a) states that "the trial of all issues so demanded shall be by jury". Thus, an "advisory jury" can only be ordered by the court in actions "not triable of right by a jury". FRCP 39(c). *See e.g. Merex A.G. v. Fairchild Weston Systems Inc.*, 29 F. 3d 821, 827 n.1 (2nd Cir., 1994), *cert. denied* 513 U.S. 1084; 115 S.Ct. 737; 130 L.Ed.2d 639.

The Jury was the fact finder in this case. It is the exclusive province of the jury to apply the community standards that govern bad faith. The District Court was bound by the Jury's finding that there was no bad faith. When both a jury and a court decide the same issues, "the jury's verdict on the common factual issues precludes a contrary finding of fact by the court". *Wade v. Orange County Sheriff's Office*, 844 F. 2d 951, 954 (2d Cir. 1988). *See also, Williamson v. Handy Button Machine Co.*, 817 F.2d 1290, 1293-94 (7th Cir. 1987) (when legal and equitable claims are tried together, "the jury's verdict governs factual issues common to them"); *Bouchet v. National Urban League, Inc.*, 730 F.2d 799, 803 (D.C. Cir. 1984) ("When a case contains claims triable to a jury and to the court that involve common issues of fact, the jury's resolution of those issues governs the entire case.") "[J]uries must necessarily bring to bear . . .their own common sense upon [issues] such as . . .bad faith,

recklessness and intent . . . Such common judgments on given factual issues are uniquely within the juries purvue . . .[and i]nherent to their vital functions". *Ostrowski v. Atlantic Mutual Ins. Co.*, 968 F.2d 171, 184 (2d Cir. 1992) ("The assessment of credibility, the weighing of the evidence, and the determination as to what inferences to draw lay solely within the province of the jury.")

It was improper for the Court to overrule issues given to a jury both by giving the same issues to the Jury again as advisory and by ignoring the Jury's findings. The Court's ruling is in direct contradiction to the Seventh Amendment.

For all of the foregoing reasons, Defendant's Petition should be granted.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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OCTOBER 2002

COACH, INC., Plaintiff, -v- WE CARE TRADING CO., INC., Defendant.

99 CIV. 11672 (DLC)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

2001 U.S. Dist. LEXIS 9879

July 18, 2001, Decided

July 19, 2001, Filed

DISPOSITION:
[*1] We Care's multiple motions made pursuant to Rules 50, 59, 60 and 65, Fed. R. Civ. P. denied. Coach's motion for sanctions denied. Coach's motion for attorneys' fees granted in part and denied in part.

CASE SUMMARY

PROCEDURAL POSTURE: A jury found defendant wholesaler liable for trade dress infringement, contributory trade dress infringement, and dilution of plaintiff manufacturer's registered trademarks. The court issued a permanent injunction against the wholesaler. The wholesaler moved for judgment as a matter of law, for a partial new trial, to vacate the injunction, and to alter or amend the judgment. The manufacturer moved for sanctions and attorneys' fees.

OVERVIEW: The manufacturer sued the wholesaler for trademark infringement. The jury returned a verdict in favor of the manufacturer, but did not award damages. The court issued an injunction against the wholesaler. The court denied the wholesaler's post-trial motions. The motion for a new trial was denied because (1) the manufacturer clearly identified the elements of its trade dress, (2) the manufacturer proved that its trade dress had acquired secondary

meaning, and (3) the court did not err in its evidentiary rulings or its charge to the jury on the issue of functionality. The court denied the motion to modify the injunction regarding the combination of features that were enjoined and the application of the injunction to backpacks. The court denied the manufacturer's motion for sanction because there was insufficient evidence that the wholesaler's claims were brought in bad faith. The court determined that the case was an exceptional case and granted in part and denied in part the manufacturer's motion for attorneys' fees in light of the strength of the evidence presented against the wholesaler, the extensive findings of bad faith, and the absence of mitigating factors.

OUTCOME: The wholesaler's post-trial motions and the manufacturer's motion for sanctions were denied. The manufacturer's motion for attorneys' fees was granted in part and denied in part.

CORE CONCEPTS

Civil Procedure > Trials > Judgment as Matter of Law
A party may move for judgment as a matter of law pursuant to Fed. R. Civ. P. 50(b) after having made such a motion during a trial at the close of all the evidence. When a Rule 50(a) motion made during trial is not granted, the moving party must renew the motion both at the close of the evidence and within 10 days after entry of judgment.

Civil Procedure > Trials > Judgment as Matter of Law
See Fed. R. Civ. P. 50(b).

Civil Procedure > Relief From Judgment > Motions for New Trial
A motion for a new trial ordinarily should not be granted unless the trial court is convinced that the jury has reached a seriously erroneous result or that the verdict is a miscarriage of justice. Under this standard, the court is free to weigh the evidence itself and need not view it in the light most favorable to the verdict winner. Even if there is substantial evidence to support the jury verdict, a new trial may be warranted. Nevertheless, the court must bear in mind that where the resolution of the issues depended on assessment of the credibility of

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APPENDIX FOR PETITION FOR A WRIT OF CERTIORARI

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the witnesses, it is proper for the court to refrain from setting aside the verdict and granting a new trial.

Trademark Law > Subject Matter > Distinctiveness
Trademark Law > Subject Matter > Labels, Packaging & Trade Dress
It is well established that a plaintiff must provide an articulation of the specific elements which comprise its distinct trade dress. Without such a precise expression of the character and scope of the claimed trade dress, litigation will be difficult, as courts will be unable to evaluate how unique and unexpected the design elements are in the relevant market. Moreover, a plaintiff's inability to explain to a court exactly which aspects of its product design(s) merit protection may indicate that its claim is pitched at an improper level of generality, i.e., the claimant seeks protection for an unprotectable style, theme or idea.

Trademark Law > Subject Matter > Labels, Packaging & Trade Dress
Trade dress may protect the "overall look" of a product such that although each element of a trade dress individually might not be inherently distinctive, the combination of elements may be indicative of source.

Trademark Law > Subject Matter > Secondary Meaning
Where a trade dress has not been registered, a product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning. Secondary meaning exists where in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself. Secondary meaning exists where the public is moved in any degree to buy an article because of its source. In determining whether secondary meaning exists, courts examine many factors, including (1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and, (6) length and exclusivity of the mark's use.

Trademark Law > Subject Matter > Labels, Packaging & Trade Dress

A collection of functional features may nonetheless be protectable trade dress.

Civil Procedure > Relief From Judgment > Motions for New Trial
See Fed. R. Civ. P. 61.

Civil Procedure > Relief From Judgment > Motions for New Trial
A new trial should only be granted where there has been an erroneous evidentiary ruling if it is likely that in some material respect the factfinder's judgment was swayed by the error.

Civil Procedure > Pleading & Practice > Pleadings > Amended Pleadings
Pursuant to Fed. R. Civ. P. 15(b), a court may allow the pleadings to be amended to conform to the evidence and shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy the court that the admission of such evidence would prejudice the party in maintaining the party's action or defenses upon the merits. A party opposing a Rule 15(b) amendment cannot normally show that it suffered prejudice simply because of a change in its opponent's legal theory but rather a party's failure to plead an issue it later presented must have disadvantaged its opponent in presenting its case.

Civil Procedure > Jury Trials > Jury Instructions
There is no requirement that there be any special finding on separate elements of a claim in the verdict sheet simply because counsel requests it.

Trademark Law > Likelihood of Confusion > Mark Similarity
Trademark Law > Likelihood of Confusion > Famous Marks & Trademark Dilution
In the dilution context, the marks at issue must be "very" or "substantially" similar.

Civil Procedure > Relief From Judgment > Motions to Alter & Amend

A post-judgment motion will be considered a Fed. R. Civ. P. 59(e) motion where it involves reconsideration of matters properly encompassed in a decision on the merits.

Civil Procedure > Relief From Judgment > Motions to Alter & Amend
Most substantive motions brought within 10 days of the entry of judgment are functionally motions under Fed. R. Civ. P. 59(e), regardless of their label or whether relief might also have been obtained under another provision.

Civil Procedure > Relief From Judgment > Newly Discovered Evidence
Fed. R. Civ. P. 60(b)(2) provides that a party may move for relief from judgment based on newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Fed. R. Civ. P. 59(b). Such a motion is generally not favored and is properly granted only upon a showing of exceptional circumstances. The party moving for relief must meet an "onerous standard." Specifically, the movant must demonstrate that (1) the newly discovered evidence was of facts that existed that the time of trial or other dispositive proceeding, (2) the movant must have been justifiably ignorant of them despite due diligence, (3) the evidence must be admissible and of such importance that it probably would have changed the outcome, and (4) the evidence must not be merely cumulative or impeaching.

Civil Procedure > Injunctions > Permanent Injunctions
Pursuant to Fed. R. Civ. P. 65(d), every order granting an injunction shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not only by reference to the complaint or other document, the act or acts sought to be restrained. An injunction must be more specific than a simple command that the defendant obey the law. Rather, an injunction must be specific and definite enough to apprise those within its scope of the conduct that is being proscribed.

Trademark Law > Infringement > Injunctive Relief

A party who has once infringed a trademark may be required to suffer a position less advantageous than that of an innocent party.

Trademark Law > Infringement > Injunctive Relief
Any doubts in respect of the reach of appropriate injunctive relief should be resolved in favor of an innocent plaintiff and against a willful infringer.

Civil Procedure > Sanctions > Baseless Filings
Civil Procedure > Sanctions > Misconduct & Unethical Behavior
28 U.S.C.S. § 1927 states that an attorney who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct. While the district court has discretion in awarding sanctions, it must find clear evidence that (1) the offending party's claims were entirely without color, and (2) the claims were brought in bad faith – that is, motivated by improper purposes such as harassment or delay. This bad faith standard is interpreted "restrictively" by the Second Circuit, and judges must make their decisions to impose sanctions with restraint and discretion.

Civil Procedure > Costs & Attorney Fees > Attorney Fees
Trademark Law > Infringement > Damages
Pursuant to *15 U.S.C.S. § 1117*(a), a court may award "reasonable attorney fees" to the prevailing party in "exceptional cases." In addition to being confined to exceptional cases, attorney fees should be awarded only on evidence of fraud or bad faith. While a finding of bad faith does not require the court to award attorneys' fees, a district court abuses its discretion if it does not consider whether an award of attorneys' fees is appropriate where willful infringement is involved.

Civil Procedure > Jury Trials > Province of Court & Jury
A judge sitting with an advisory jury is not bound by the findings of the advisory jury, which the judge is free to adopt in whole or in part or to totally disregard.

Civil Procedure > *Costs & Attorney Fees* > *Attorney Fees*
The failure to win an award of damages should be considered by the court in deciding whether the case is an "exceptional" one warranting an award of attorney fees, but a failure to prove actual damages does not preclude an award of attorneys' fees.

COUNSEL:
For Coach, Inc., Plaintiff: Norman H. Zivin, Robert T. Maldonado, Cooper & Dunham LLP, New York, NY.

For We Care Trading Co., Inc., Defendant: Stephen E. Feldman, Stephen E. Feldman, P.C., New York, NY.

JUDGES:
DENISE COTE, United States District Judge.

OPINIONBY:
DENISE COTE

OPINION:

OPINION AND ORDER

DENISE COTE, District Judge:

This Opinion addresses three post-trial motions filed by the parties in this trademark infringement action. Following a trial held on March 12 though March 22, 2001, the jury rendered a verdict finding defendant We Care Trading Co., Inc. ("We Care") liable for trade dress infringement, contributory trade dress infringement, and dilution of plaintiff's registered trademarks 1,242,098 ("'098") and 2,088,707 ("'707"), but awarded no damages. On March 29, 2001, this Court signed an order of permanent injunction against the defendant. Judgment was entered on April 5, 2001.

On April 19, the defendant brought motions for judgment as a matter of law, for a partial [*2] new trial, and to vacate the injunction, pursuant to Rules 50, 59, and 65, Fed. R. Civ. P. On May 25, n1 the

defendant brought an additional motion to alter or amend the injunction (the "May 25 Motion"). Plaintiff Coach, Inc. ("Coach") brings a motion for attorneys' fees and expenses, pursuant to *15 U.S.C. § 1117*(a). It also moves for sanctions, pursuant to *28 U.S.C. § 1927*, in response to the filing of the May 25 Motion. For the reasons discussed in this Opinion, the defendant's motions are denied. The plaintiff's motion for sanctions is denied; its motion for attorneys' fees is granted in part and denied in part.

----------Footnotes----------

n1 By letter of May 10, We Care sought to "clarify and if necessary modify the judgement entered on April 5, 2001." On May 14, the Court memo-endorsed the letter as follows: "If the defendant believes it has a timely, justiciable motion, it should file such a motion and consult with plaintiff regarding a schedule." We Care subsequently filed a motion on May 25, 2001 "to amend/modify and/or clarify the injunction." Full briefing by both sides followed.

----------End Footnotes---------- [*3]

BACKGROUND

Coach brought four claims under the Lanham Act at the jury trial: (1) trademark infringement of registered trademarks '707 and '098 under *15 U.S.C. § 1114*(1); (2) trade dress infringement under *15 U.S.C. § 1125*(a); (3) contributory infringement of both its '707 and '098 trademarks and its trade dress; and (4) dilution of '707 and '098 under *15 U.S.C. § 1125*(c). The evidence at trial relevant to the motions brought by the parties included the following.

Coach is a manufacturer of handbags and other leather products which also sells its products to retailers and through its own chain of retail stores as well as through mail order and the Internet. It owns two federally registered trademarks, '098 and '707, each of which is a lozenge-shaped hangtag with a beaded chain that Coach affixes to its products. n2 Coach has a protectable trade dress in its handbags, comprised of glove-tanned leather, bound edges, heavy brass or

nickel-plated brass hardware, and a hangtag with a beaded chain. n3 It engages in an extensive advertising campaign of handbags with this trade dress which has spanned decades. [*4]

----------Footnotes----------

n2 Registration '098 identifies the hangtag as affixed to women's handbags, portfolios, carry on luggage, clutches, totes, travel kits, cosmetic cases, briefcases, and women's and men's belts. Registration '707 identifies the hangtag as affixed to cellular phone cases, computer cases, computer accessory cases, attache cases, briefcases, briefcase-type portfolios, handbags, satchels, tote bags, duffel bags, luggage garment bags for travel, back packs, tie cases, men's clutches, cosmetic bags, toiletry cases, water bottle carriers, waist pouches, and men's and women's belts.

n3 Coach had provided varying formulations of this trade dress in its pre-trial papers but offered this definition at the pre-trial conference when asked by the Court for a final statement of its trade dress.

----------End Footnotes----------

Coach proved the protectability of its trade dress through the testimony of Lew Frankfort ("Frankfort"), chairman of Coach; Miles Cahn ("Cahn"), Coach's founder; and Dr. Seymour Lieberman ("Lieberman"), a market research consultant, [*5] among others. n4 Coach's "Classic Collection" handbags, which use Coach's identified trade dress, were designed in the 1960s. These handbags have been advertised since 1979, through a variety of media as well through sponsorship of charitable events and other community-related activities. According to Frankfort, the Coach product forms "the centerpiece" of the advertising. Frankfort pointed out specific ads which highlighted in print the "real glove tanned cowhide" and displayed in pictures the bound edges, hardware, and hangtag. n5 Frankfort estimated that Coach had expended roughly $ 5 million in 1995, and $ 7.5 million in 1996, advertising the classic collection handbags. Coach spent less money advertising the collection in 1999-

2000 than it had in 1996-1997 period "because the classic collection is extremely well-known" and required less expenditure. Sales of classic collection handbags accounted for roughly 40 to 50 percent of Coach's net sales in the past five years, or between $ 1 billion and $ 1.2 billion. More specifically, domestic sales of classic handbags totaled $ 114 million in 1995, $ 139 million in 1996, and $ 152 million in 1997.

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n4 For example, Amy Stollmack, sales director for Rodo handbags with 19 years experience in the handbag industry, described Coach bags as "very recognizable" based on the leather, the brass findings, the binding, and the hangtag and testified that, based on her experience, other people recognize Coach bags by these characteristics. **[*6]**

n5 other advertisements included phrases such as "it's not the Coach without the Coach tag."

----------End Footnotes----------

Consumer surveys conducted by Lieberman at Coach's behest in 1995 and 1996, also established the existence of secondary meaning in the trade dress. n6 Lieberman employed Coach handbags from the classic collection and surveyed roughly 500 women aged 18 years or older who owned a handbag and indicated that they would be willing to spend $ 50 or more for a handbag. n7 The 1995 survey was performed in "weaker" Coach markets, areas in which Coach did not sell its products at its own stores but rather through department stores. The 1996 survey was performed in "stronger" Coach markets, including cities where Coach tends to perform well as well as in shopping malls where Coach had stand-alone stores. Dr. Lieberman found that 30 percent of women shown a Coach bag identified it as such in 1995, compared to 65 percent in 1996. In contrast, when shown a non-Coach control handbag, 3 percent of women in 1995, and 1 percent of women in 1996, identified it as a Coach bag.

----------Footnotes----------

n6 Lieberman also testified that these surveys measured post-sale confusion and point-of-sale confusion but the details of that testimony are not relevant to the pending motions. The surveys were performed in connection with lawsuits brought by Coach against two companies allegedly selling Coach look-alike handbags. [*7]

n7 Women were asked to check off on a card what they would spend on a handbag. The categories included "under $ 25," "$ 25 to $ 49," "$ 50 to $ 75," "$ 75 to $ 99," "$ 100 to $ 150," and "$ 150 and over." If they checked anything in the $ 50 or over categories, they were included. Some of these same women said that they would also consider a bag for under $ 50.

----------End Footnotes----------

Coach has a "full blown enforcement program" to protect the Coach brand and prevent people from selling Coach knock-off and counterfeit products. Coach "inspect[s] and check[s] on how the competitors are using trade dress [and] trademarks that may be similar or confusingly similar" to Coach marks, checks national advertising on a regular basis, employs a counterfeiting hotline, monitors for infringement over the Internet, and works with United States Customs to monitor imports of counterfeit products. Coach has seized roughly 225,000 counterfeit Coach products each year during the last four years.

This lawsuit stems from Coach's enforcement program against the sale of knock-offs. While Coach's senior vice president and general counsel, [*8] Carole Sadler, admitted that she had "no specific knowledge of a particular sale that [Coach] lost because of someone buying a We Care bag instead," she stated that "sale of products like We Care sells impact[s] the sale of Coach's classic collection."

We Care is a small family-owned business that imports, sells, and distributes knock-off handbags primarily on a wholesale basis at a store located on Sixth Avenue in New York City. Coach introduced We Care handbags into evidence, comprised of vinyl made to

simulate leather, bound edges, simulated brass hardware, and a Coach look-alike blank hangtag, that is, a hangtag that looks like a Coach tag except that the word "Coach" is not embossed in its center. We Care's owners, Gil Chun and Kang Moon Chun, travel to Asia three or four times a year to purchase handbags. They rely on their son Philip, who runs a trading company in Hong Kong for which Kang Moon Chun serves as a director, to inspect the bags and ship them to We Care. Robert Chun, another son of Gil and Kang Moon Chun, helps his parents run the We Care store in New York and was identified at trial by Gil Chun as a vice president of the company.

Gil and Robert Chun testified **[*9]** at trial. Gil Chun has a master's degree in nursing administration and worked as a registered nurse in a supervisory position before quitting to help her husband at We Care. Robert Chun has a management degree and worked for over a year in the computer consulting division of Andersen Consulting where he did computer programming for the Department of Finance of the City of New York. Despite this experience in administration and finance, Gil and Robert Chun testified that We Care keeps no computerized accounting records aside from open accounts receivable. When asked why We Care had failed to turn over sales records for 1996, 1997, and the first ten months of 1998, Gil Chun stated that there had been a flood at the We Care business in February 2000, that had destroyed these documents and that the computer records for this period no longer existed because a new computer system was installed, also in 2000. Gil Chun claimed that she did not know the location of any disk backup copy of the computer records, and Robert Chun testified that he had made no disk copy of the pre-2000 computer records when he installed new software. Both Chuns testified that We Care uses neither catalogs nor price **[*10]** lists. Rather, customers come to the store in New York or to trade shows to view We Care's products. Despite this testimony, the plaintiff was able to offer at trial a We Care catalog from 1995. It featured We Care's New York address as well as one in Los Angeles and Chicago. In response, Gil Chun stated only that the Los Angeles and Chicago "We Care" locations were customers of We Care in New York whom she may have let use her catalog.

In an attempt to counter Coach's secondary meaning evidence, We Care's witnesses identified handbag companies which they claimed employed some or all of the elements Coach identified as its trade dress, but this testimony was significantly undercut by cross-examination. Joy Horvath ("Horvath"), a handbag manufacturer who also repairs and restores vintage handbags, admitted that the handbags she identified as employing the same elements as Coach used a "naked vegetable tanned leather" which she was not sure was "glove-tanned leather" and that the bags of at least one of those brands is not similar in appearance to Coach classic collection handbags. When asked whether Coach was the first to use the combination of the four elements of trade dress, Horvath **[*11]** testified that these four elements had previously been used together for "sporting purposes" and "military purposes" but did not indicate that they were used by any company prior to Coach as a woman's handbag. Likewise, Lee Roeder, a handbag designer for Coach with 15 years of experience in the field and a witness called by We Care, testified on cross-examination that no other company uses the four elements in combination. Henry Goldsmith, a professor of women's handbag design and production at Fashion Institute of Technology, testified generally that other companies have used one or more elements of Coach's trade dress n8 and that two companies have manufactured handbags with the same four elements as Coach's trade dress. n9 He also testified that there are many ways to make handbags competitive with Coach bags that would not employ the four trade dress elements of Coach bags.

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n8 Goldsmith admitted on cross examination that he did not know whether the non-Coach bags which he had identified as having one or more elements of Coach's asserted trade dress were still being sold and that he could only "guess" when they had been made. **[*12]**

n9 Goldsmith testified that Louis Vuitton and Morris Moskowitz had used "binding, glove tanned leather, brass hardware and a hangtag." Only Louis Vuitton remains in business. On cross examination, Goldsmith admitted that Vuitton "used to make" a bag

with those elements and that he had seen it twenty years prior. No sample was introduced into evidence at the trial.

----------End Footnotes----------

While both Chuns emphatically denied that We Care makes knock-off products or sells to counterfeiters, their testimony was entirely undercut by other trial evidence. Besides the We Care handbags that were produced during discovery and which appeared identical to their Coach counterparts unless closely inspected, a private investigator hired by Coach purchased at least two Coach style look-alike bags from We Care in October 2000. The investigator told the We Care salesperson that she owned a handbag store in New Jersey and purchased the bags tax-free without being asked for identification. In addition, a search conducted at two locations only blocks from We Care's store by the New York City police in February 2001 -- less than a month **[*13]** prior to trial -- resulted in the seizure of counterfeit Coach handbags bearing We Care's own hangtag. n10 A video taken during the raid showed at least two rooms which were packed with counterfeit Coach handbags and belts as well as garbage bags filled with what was estimated to be 2000 counterfeit Coach hangtags. An investigator involved in the search testified that two pressing machines used to emboss the Coach name on hangtags and the "Coach story" n11 on the inside of the handbags were found at one of the locations. Many of the Coach counterfeit handbags still bore We Care's easily-recognizable cardboard hangtags featuring a black background with red and blue circles and the name "We Care." The investigator testified that 90% of the roughly 1000 Coach look-alike handbags in one of the rooms contained both the Coach story embossed on the inside and a We Care tag. While Robert Chun agreed that We Care's hangtags looked like those seized in the police raid, he refused to identify even one such hangtag attached to a counterfeit Coach bag as a We Care hangtag.

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n10 We Care claims in its papers that the seizure was conducted "per the request of Plaintiff." There is absolutely no such evidence in the record. Instead, after the police found the counterfeit merchandise, they contacted Kevin Dougherty, a private investigator who is authorized by Coach and other clients to identify their merchandise when it is seized by the police. **[*14]**

n11 The "Coach story" is an indicator embossed on the inside of every Coach bag providing a serial number and the location of the bag's manufacture, along with the Coach name.

----------End Footnotes----------

At the close of the plaintiff's case, We Care moved to dismiss Coach's trade dress claim. The Court denied the motion and We Care did not renew it at the close of the evidence.

The jury found for the plaintiff on the trade dress infringement, contributory trade dress infringement, and dilution claims, but declined to award money damages. The jury found for the defendant on trademark infringement and contributory trademark infringement, each of which was addressed to Coach's asserted rights in the trademark registrations for its hangtag. Coach subsequently moved for – and the Court granted – a permanent injunction enjoining We Care from manufacturing, importing, or offering for sale, among other things, the six handbag styles specified at trial, as well as other handbags, tote bags, or backpacks in combination with the four trade dress elements identified at trial, n12 and from assisting others in carrying out these acts. **[*15]**

----------Footnotes----------

n12 A detailed description of the terms of the permanent injunction appears in Section I.C., below.

----------End Footnotes----------

DISCUSSION

I. Defendant's Motions

A. Judgment as a Matter of Law

A party may move for judgment as a matter of law pursuant to Rule 50(b), Fed. R. Civ. P., after having made such a motion during a trial at the close of all the evidence. n13 "When a Rule 50(a) motion made during trial is not granted, the moving party must renew the motion both at the close of the evidence and within ten days after entry of judgment." *Pahuta v. Massey-Ferguson, 170 F.3d 125, 129 (2d Cir. 1999).*

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n13 Rule 50(b) states that

if, for any reason, the court does not grant a motion for judgment as a matter of law made at the close of all the evidence, the court is considered to have submitted the action to the jury . . . . The movant may renew its request for judgment as a matter of law by filing a motion no later than ten days after entry of judgment. . . .

Fed. R. Civ. P. 50(b).

----------End Footnotes---------- **[*16]**

At the end of the plaintiff's case, We Care moved to dismiss the plaintiff's trade dress claim, arguing that the evidence presented regarding trade dress was not based merely on the four elements of trade dress Coach identified at trial but also on the general style and shape of Coach's handbags and further that the trade dress definition provided by Coach was "incomprehensibly vague." The Court denied the motion, and following the presentation of its own case, We Care failed to renew its motion. Since none of the exceptions to the rule that the motion must be renewed are present here, see id., defendant's Rule 50 motion is denied.

B. New Trial

We Care also moves for a new trial. "'A motion for a new trial ordinarily should not be granted unless the trial court is convinced that the jury has reached a seriously erroneous result or that the verdict is a miscarriage of justice.'" *Atkins v. New York City, 143 F.3d 100, 102 (2d Cir. 1998)* (quoting *Lightfoot v. Union Carbide Corp., 110 F.3d 898, 911 (2d Cir. 1997)*). See also *Piesco v. Koch, 12 F.3d 332, 344 (2d Cir. 1993)* ("seriously erroneous" standard reaffirmed as the **[*17]** standard of Second Circuit). Under this standard, the Court "is free to weigh the evidence [itself] and need not view it in the light most favorable to the verdict winner." *Song v. Ives Laboratories, Inc., 957 F.2d 1041, 1047 (2d Cir. 1992)* (internal quotation omitted). Even if there is substantial evidence to support the jury verdict, a new trial may be warranted. Id. Nevertheless, the Court must bear in mind that

where the resolution of the issues depended on assessment of the credibility of the witnesses, it is proper for the court to refrain from setting aside the verdict and granting a new trial.

Piesco, 12 F.3d at 345 (internal quotation omitted).

1. Trade Dress Definition

We Care's primary argument for a new trial is that it was prejudiced by Coach's shifting definition of trade dress which left the jury "flailing around in the dark." It is well established that a plaintiff must provide

an articulation of the specific elements which comprise its distinct [trade] dress. Without such a precise expression of the character and scope of the claimed trade dress, litigation will be difficult, as courts will be **[*18]** unable to evaluate how unique and unexpected the design elements are in the relevant market. . . . Moreover, a plaintiff's inability to explain to a court exactly which aspects of its product design(s) merit protection may indicate that its claim is pitched at an improper level of generality, i.e., the claimant seeks protection for an unprotectable style, theme or idea.

Landscape Forms, Inc. v. Columbia Cascade Co., 113 F.3d 373, 381 (2d Cir. 1997).

As discussed above, Coach clearly identified the four elements of its trade dress at the final pretrial conference: glove-tanned leather, bound edges, brass or nickel-plated brass hardware, and a lozenge-shaped hangtag with a beaded chain. The Court instructed the jury that Coach's claimed trade dress was limited to those elements. n14 While We Care claims that Coach shifted its definition during and after trial, it provides no citation in the trial transcript to support its argument. n15

----------Footnotes----------

n14 Specifically, the Court's instruction to the jury included the following: "Coach claims that the trade dress for its handbags is comprised of the following elements: 'glove, tanned leather,' 'bound edges,' 'brass or nickel-plated brass hardware,' and a 'lozenge-shaped hangtag with a beaded chain.'" Each juror received a copy of the jury instructions to which to refer during deliberations. **[*19]**

n15 In support of its argument, We Care cites two cases, both of which are readily distinguishable. In *Whimsicality, Inc. v. Battat, 27 F. Supp. 2d 456, 464 (S.D.N.Y. 1998),* the plaintiff had "nowhere identified" its trade dress. In *Regal Jewelry Co. v. Kingsbridge International, Inc., 999 F. Supp. 477, 487-88 (S.D.N.Y. 1998),* the court found that the plaintiff had only "intermittently used" its trade dress and that it had failed to provide evidence of secondary meaning.

----------End Footnotes----------

We Care belatedly argues that, because the Complaint defined trade dress as "among other elements, heavy, soft leather; bound edges; distinctive hardware; and distinctive appearance and readily identifiable shapes and sizes" (emphasis supplied), but failed to specify of what the "other elements" consisted, We Care "properly took this as an admission that Plaintiff could not sufficiently detail its trade dress and that it had no viable claim." It further argues that it

received varying definitions of trade dress during its discovery depositions. Notably, however, We Care filed no motion to [*20] dismiss the Complaint or for summary judgment on this or any other ground, nor did it raise this issue in any of the several telephone conferences held in this case to resolve discovery disputes.

We Care argues that it had planned to attack at trial the Complaint's vague reference to "other elements" of Coach's trade dress by arguing that "eliminating even one element of Plaintiff's trade dress as generic or functional would have defeated the entire trade dress claim." We Care provides no legal authority in support of this assertion, and as discussed further below, "trade dress may protect the 'overall look' of a product" such that "'although each element of a trade dress individually might not be inherently distinctive, . . . the combination of elements' may be indicative of source." *Landscape Forms, 113 F.3d at 381;* see also *LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71, 76 (2d Cir. 1985).* n16

----------Footnotes----------

n16 We Care also argues that, just following the close of discovery in December 2000, Coach "attempted to expand this case to include trade dress protection in its entire line of Classic handbags, but was limited by this Court to the six that were shown to Defendant in July, 2000." As the Court detailed in a bench opinion delivered on February 2, 2001, in the related case, Coach, Inc. v. Moon et al., 00 Civ. 9458 (DLC), and again in the final pretrial conference in this action on March 8, 2001, the ruling regarding six styles of handbags was limited to the scope of discovery. Until the end of the discovery period, the plaintiff took discovery on only six We Care handbags which it contended infringed its trademark. Two days prior to the close of discovery, the plaintiff sought to expand the number of styles for which it sought discovery. Relying on the impact that this last-minute expansion would have on the litigation schedule, the Court refused to permit discovery beyond the six styles. The Court's ruling, however, did not limit the claims, defenses, or proof for trial.

----------End Footnotes---------- [*21]

2. Failure of Secondary Meaning

We Care next argues for a new trial by asserting that Coach failed to prove that its trade dress had acquired secondary meaning. Where a trade dress has not been registered, a "product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning." *Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205, 216, 146 L. Ed. 2d 182, 120 S. Ct. 1339 (2000);* see also *TCPIP Holding Co. v. Haar Communications Inc., 244 F.3d 88, 94, 100-01 (2d Cir. 2001).* Secondary meaning exists where "'in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.'" *Wal-Mart, 529 U.S. at 211* (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 851 n.11, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982)).* Secondary meaning exists where "the public is moved in any degree to buy an article because of its source." Genesee *Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 143 n.4 (2d Cir. 1997).* In determining whether secondary meaning exists, courts examine many factors, **[*22]** including "'(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and, (6) length and exclusivity of the mark's use.'" Id. (citation omitted).

As described more fully above, Coach presented ample evidence of secondary meaning of Coach's trade dress. The trade dress handbags were developed in the 1960s and advertised widely since the 1970s. These bags have enjoyed tremendous sales success and are recognizable as Coach bags, according to both the opinions of those in the handbag industry and consumer surveys commissioned by Coach. Attempts to plagiarize Coach products are evident from the fact that over 200,000 counterfeit Coach products have been seized each year over the last four years, including from the defendant's own business.

We Care makes essentially two arguments to undermine some of Coach's specific evidence of secondary meaning. First, We Care argues that the survey evidence should have been excluded since it

was addressed to the incorrect universe (it excluded those women who would not spend $ 50 or more on a handbag), n17 employed a style **[*23]** of handbag not representative of the bags at issue in the current litigation (while the three styles used were from Coach's classic collection, the survey did not include every style at issue at the trial), n18 and used only bags made of leather (We Care's bags are vinyl).

----------Footnotes----------

n17 The survey respondents were also limited to women who were 18 years of age or older and owned a handbag.

n18 The handbags used in the survey were wider than they were tall and had a flap. Only some of the infringing We Care bags had this design.

----------End Footnotes----------

This is substantially the same argument made by We Care in a pre-trial motion in limine. As the Court ruled on March 8, 2001, the survey, which was offered to establish secondary meaning is admissible, pursuant to Rule 803(3), Fed. R. Evid., as reflecting the declarant's state of mind at the time of utterance, with alleged errors in methodology going to the weight of the evidence, subject of course to the additional gatekeeping function of Rule 403, Fed. R. Evid. *Schering Corp. v. Pfizer, Inc., 189 F.3d 218, 228 (2d Cir. 1999).* **[*24]**

Further, the Court's jury instructions on survey evidence – to which We Care now offers no objection – included the following limitations on the use of the survey evidence:

Remember that the surveys done in 1995 and 1996 were done in connection with other litigation and that no bags from We Care were used in those surveys. You have also been told that the surveys excluded from their pool of respondents any women who reported that they would not spend $ 50 or more to buy a handbag. Moreover, the handbags shown to the survey respondents have not been

received into evidence so that you will not be able to examine them. You only have pictures of the handbags. You have heard evidence, however, that each of the handbags used in the surveys were made of leather. For these reasons, you may only use the surveys for the limited purposes I have and will explain.

. . . You may not use the surveys to decide whether there has been actual confusion between the plaintiff's and the defendant's products. You may use them, however, to understand the processes called point-of-sale confusion and post-sale confusion that I will be explaining to you. And, you may use them to decide whether **[*25]** there is secondary meaning in what the plaintiff has claimed as its trade dress.

(Emphasis supplied).

We Care next argues that Coach's advertising evidence was irrelevant since it was not "look for" advertising and did not prominently display the trade dress claimed. We Care is simply wrong. The evidence at trial showed Coach to be engaged in widespread advertising of handbags featuring the trade dress at issue here. The examples of advertising presented at trial included prominent word or image displays of the four elements of its trade dress, including classic "look for" advertising. Far from being "incidental" to its advertising campaigns, the trade dress was frequently the most prominent component of the campaigns.

3. Functionality

Relying on the Supreme Court's decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 149 L. Ed. 2d 164, 121 S. Ct. 1255 (2001)*, n19 which was handed down on the day the Court instructed the jury, We Care contends that the Court erred in its charge to the jury on the issue of functionality. At a conference held as the jury deliberated, We Care argued, among other things, that the TrafFix Court had ruled that **[*26]** once one feature of a trade dress is found to be functional, the entire trade dress is unprotectable. It asked that the Court alter that portion of its jury charge that read:

Even if you find that one or more of the individual elements of what Coach has identified as its trade dress is functional, you may still find the trade dress to be non-functional if you find that the combination or arrangement of the features it has identified as its trade dress, when viewed in its entirety, is non-functional.

While the Court made other changes in a supplemental charge delivered to the jury, n20 the Court declined to change this statement.

----------Footnotes----------

n19 The Court in TrafFix held that a feature is functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device," including situations in which the "'exclusive use of [a feature] would put competitors at a significant non-reputation-related disadvantage.'" *121 S. Ct. at 1261* (citation omitted). The Court noted that courts need not inquire into a feature's competitive necessity except in cases of aesthetic functionality. Id. at 1262. **[*27]**

n20 At the conference, the defendant requested – and the Court agreed to – changes in the jury charge to reflect the discussion of aesthetic functionality highlighted by the TrafFix decision. The Court's original charge instructed the jury that a collection of functional parts is protectable if the collection itself is not essential to the use or purpose of the handbag, and if its exclusive use by Coach does not put competitors at a significant non-reputation related disadvantage. The supplemental charge, which is not challenged by the defendant, reads

a collection of functional parts is protectable (1) if the collection itself is not essential to the use or purpose of the handbag, (2) if it does not affect the cost or quality of the product, and (3) if, in the event you find the collection to be ornamental or aesthetic, its exclusive use by Coach does not put competitors at a significant non-reputation related disadvantage.

----------End Footnotes----------

We Care's reading of TrafFix is incorrect. The TrafFix decision does not overrule Second Circuit law that a collection of functional features may nonetheless **[*28]** be protectable trade dress. See *LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71, 76 (2d Cir. 1985);* see also *Landscape Forms, 113 F.3d at 381.* n21

----------Footnotes----------

n21 Following the close of briefing on this issue, We Care called the Court's attention to *Cooper Industries, Inc. v. Leatherman Tool Group, Inc., 149 L. Ed. 2d 674, 121 S. Ct. 1678 (2001),* which it claimed cited TrafFix approvingly. While it does cite TrafFix with approval, Cooper involves a product which was found not to merit trade dress protection because both the individual features of its trade dress as well as the product's overall appearance were functional. *Cooper, 121 S. Ct. at 1681.*

----------End Footnotes----------

4. Miscellaneous

We Care briefly alludes to several additional arguments, principally alleged errors in evidentiary rulings. Rule 61 counsels that

no error in either the admission or the exclusion of evidence and no error or defect in any ruling or order or in anything done or omitted by **[*29]** the court . . . is ground for granting a new trial . . . unless refusal to take such action appears to the court inconsistent with substantial justice.

Rule 61, Fed. R. Civ. P. (emphasis supplied). Consequently, a new trial should only be granted where there has been an erroneous evidentiary ruling if "it is likely that in some material respect the factfinder's judgment was 'swayed by the error.'" *Perry v. Ethan Allen, Inc., 115 F.3d 143, 150 (2d Cir. 1997)* (citation omitted); see also *Libutti v. United States, 178 F.3d 114, 118 (2d Cir. 1999).*

First, We Care argues that the Court allowed the jury to hear hearsay testimony when it allowed the CEO of Coach to testify about consumer recognition of the Coach brand name by referring to an exhibit entitled "1995 National Consumer Accessories Survey." Defense counsel only objected at trial to the identification of the survey, however, n22 and in any event the CEO did not testify about the survey's content beyond mentioning that Coach appears in the survey. The strength of the Coach brand name was not in dispute at trial and the brief questioning resulted in no "substantial injustice."

----------Footnotes----------

n22 Defense counsel raised an objection, which the Court overruled, only to the following statement: "I am going to hand you Exhibit 93 called 1995 National Consumer Accessories Survey."

----------End Footnotes---------- [*30]

We Care complains that it was not allowed to move into evidence certain trademark applications that were "abandoned" by Coach. The portion of the trial transcript that it cites, however, reflects not a motion to admit the applications into evidence but rather a question posed in cross-examination to Sadler as to whether Coach had ever sought to register as a trademark the design or shape of any of its handbags. The Court sustained that objection. n23 We Care further asserts that the applications were "rejected" by the Patent and Trademark Office ("PTO") "because they were functional, not inherently distinctive, and did not function as a trademark." It did not provide at trial or in support of this motion, however, any evidence that the abandoned trademark applications were "rejected" for these – or any other – reasons. n24 Nor has We Care shown that these abandoned applications concern the trade dress at issue at trial. Without a showing of relevance to the issues at trial, the limitation on cross-examination was not error.

----------Footnotes----------

n23 The Court ruled that it would permit defense counsel to ask whether there was an attempt to register the trade dress asserted at trial. It ruled that Defendant's Exhibit 260, which was described by the defendant as evidence of an attempt to register the trade dress, did not in fact reflect such an attempt. It showed the design of a particular handbag with bound edges, but did not describe the leather, emphasize brass fittings or include a hangtag. **[*31]**

n24 We Care also notes that the "abandoned" applications should be admitted under TrafFix. That case, however, involved the functionality of a "dual-spring design" for road signs which was the subject of an expired utility patent. While the Supreme Court held that a utility patent is "strong evidence that the features therein claimed are functional," it did not address the issue of abandoned trademark applications nor has We Care, as noted above, provided any evidence for its assertion that the PTO considered Coach's features to be functional. *TrafFix, 121 S. Ct. at 1260.*

----------End Footnotes----------

Third, We Care devotes two sentences to the argument that the Court erroneously allowed Coach to "introduce a new cause of action for contributory trade dress" which was not listed in the Complaint and for which defendant claims it had no discovery. n25 Pursuant to Rule 15(b), Fed. R. Civ. P., a court may allow the pleadings to be amended to conform to the evidence and "shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy **[*32]** the court that the admission of such evidence would prejudice the party in maintaining the party's action or defenses upon the merits." A party opposing a Rule 15(b) amendment "'cannot normally show that it suffered prejudice simply because of a change in its opponent's legal theory'" but rather "'a party's failure to plead an issue it later presented must have disadvantaged its opponent in presenting its case.'" *Cruz v. Coach Stores, 202 F.3d 560, 569 (2d Cir. 2000)* (citation omitted).

----------Footnotes----------

n25 While Coach pled a claim for contributory trademark counterfeiting, pursuant to *15 U.S.C. § 1116*, it did not plead a contributory trade dress infringement claim. In its reply pre-trial memorandum of law, Coach argued that because We Care sold handbags to those who apply the Coach trademark and then sell the handbags as counterfeits, We Care could be liable for contributory infringement of Coach's trademark and trade dress. At the final pretrial conference held on March 8, the Court delineated the issues which, based on the parties' pre-trial papers, would be tried. We Care objected that the contributory infringement claim had been "withdrawn" by the plaintiff. The Court noted the objection, but the lengthy conference ended without further argument on the issue.

----------End Footnotes---------- [*33]

We Care has failed to show that it was prejudiced by the inclusion of the contributory trade dress infringement claim. Contributory infringement on a related issue was pled in the Complaint. n26 Further, the evidence with respect to contributory trade dress infringement was relevant to other claims at issue in the trial. The defendant therefore had both the motive and opportunity throughout discovery and trial to defend against this evidence and theory.

----------Footnotes----------

n26 The Complaint alleged that the defendant "affixed blank leather hang tags to handbags that are confusingly similar to COACH handbags and . . . have supplied their products to others whom they knew or had reason to know were engaging in trademark counterfeiting by affixing a spurious designation identical in appearance to COACH's registered trademark leather hangtag."

----------End Footnotes----------

Also with respect to contributory infringement, We Care argues, without citing any supporting case law, that it is "impossible" for a jury to find both direct and contributory trade infringement [*34] "on

the same set of facts." "When faced with seemingly inconsistent verdict . . . 'a reviewing court must adopt a view of the case, if there is one, that resolves any seeming inconsistency.'" *Harris v. Niagara Mohawk Power Corp., 252 F.3d 592, 2001 U.S. App. LEXIS 11289, *17, 2001 WL 589403,* at *6 (2d Cir. 2001) (citation omitted). If it fails, then the court must order a new trial in accordance with the Seventh Amendment. Id. We Care's argument in this instance is meritless. From the evidence presented at trial, the jury could easily have found that We Care both sold infringing products and that it enabled others to infringe by selling them Coach look-alike products which were then embossed with the Coach name and sold as counterfeits.

Finally, We Care makes several complaints regarding the Court's rulings with regard to the jury charge and the verdict form. First, citing an unspecified passage of TrafFix, We Care argues that the Court should have charged that copying is permissible unless the trade dress is protected. n27 We Care raised this argument after jury deliberations had begun, when the Court met with counsel to address the emergence of the TrafFix case. As the Court stated on the **[*35]** record: "This charge does not suggest that the plaintiff has any rights other than those described in this charge and, therefore, only if it meets all the tests described in this charge can it keep someone from copying any part of what it does and nothing in this charge suggests otherwise." Second, We Care complains that the verdict sheet did not include separate questions about particular elements of a trade dress claim, specifically, questions regarding the existence of a protectable trade dress, and the non-functionality of the trade dress. The argument is not persuasive. The jury was explicitly instructed in the charge regarding these issues; the issues were not so complex that a special verdict was necessary, and there is no requirement that there be any special finding on separate elements of a claim in the verdict sheet simply because counsel requests it. n28

----------Footnotes----------

n27 The Court in TrafFix noted that "unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying." *TrafFix, 121 S. Ct. at 1260.*

n28 With respect to infringement, the jury verdict form asks: "Has the plaintiff proven by a preponderance of the evidence its infringement claim based on the trade dress it has asserted at this trial?" With respect to contributory infringement, the jury verdict form asks: "Has the plaintiff proven by a preponderance of the evidence that the defendant engaged in contributory infringement of its trade dress?"

----------End Footnotes---------- [*36]

5. Dilution

We Care makes several unmeritorious arguments concerning Coach's dilution claim. The dilution claim sought to enforce rights Coach asserted in trademark registrations '098 and '707 for its hangtags.

First, We Care argues that Coach did not own its trademark registration at the commencement of the suit and therefore lacks standing to bring its dilution claim. For the reasons stated by the Court on the record on March 13, 2001, Coach has standing. We Care also argues, citing *Hormel Foods Corp. v. Jim Henson Productions, Inc., 73 F.3d 497 (2d Cir. 1996)*, n29 that dilution requires that it use "the plaintiff's trademark as a trademark" and no evidence existed at trial that We Care uses the hangtag as a "source identifier." To the contrary, the jury was entitled to find that We Care's blank hangtag serves no other purpose than copying the trademarked Coach hangtag to complete the "Coach look" for We Care's knock-off handbags.

----------Footnotes----------

n29 The Hormel Court held that dilution did not exist where the defendant's product, a puppet named "Spa'am," neither weakened the association of the plaintiff's "SPAM" mark with luncheon meat nor caused the plaintiff's mark to suffer negative associations through its use, particularly because the puppet possessed "transparent parodic intent" rather than "'subtle or insidious effort at humor at plaintiff's

expense'" and no direct competition existed between the puppet and the luncheon meat. *Hormel, 73 F.3d at 506-07* (citation omitted). In contrast, We Care sells cheap knock-off versions of Coach handbags. It sells these bags to, among others, counterfeiters who stamp "Coach" on the already-attached hangtag and sell the We Care bags as Coach bags.

----------End Footnotes---------- [*37]

Finally, We Care argues, citing *Mead Data Central, Inc. v. Toyota Motor Sales, Inc., 875 F.2d 1026 (2d Cir. 1989)*, that dilution requires the diluter to make an "identical or almost identical use" of the trademark, while the Court instructed the jury that We Care could be liable if it used an "altered" form of the trademark. n30 Mead held that the marks at issue "must be 'very' or 'substantially' similar." *Id. at 1029.*

----------Footnotes----------

n30 The Court instructed the jury that dilution by blurring occurs when customers or prospective customers see the plaintiff's trademark or a modification of the plaintiff's trademark used by others to identify other sources of different goods. This may cause the plaintiff's trademark to lose its ability to serve as a unique identifier of the plaintiff's products.

(emphasis added). It further instructed the jury that it should consider at least eight separate factors in analyzing dilution by blurring, including

(2) the degree of similarity between Coach's trademark and We Care's use of the trademark, such that in the mind of the consumer, We Care's use will invoke an association with Coach's trademark;

(3) the similarity of the products;

The Court also instructed the jury that it could find dilution by tarnishment

if the plaintiff proves that because of defendant's use of its trademark or an altered version of its trademark, the value of the trademark is reduced or consumers will come to attribute unfavorable characteristics to the trademark and ultimately associate the trademark with inferior goods.

(emphasis added).

----------End Footnotes---------- [*38]

This Court relied on *Federal Express Corp. v. Federal Espresso, Inc., 201 F.3d 168, 175 (2d Cir. 2000)* (dilution by blurring may occur where defendant "uses or modifies" the plaintiff's mark), and *Deere & Co. v. MTD Products, Inc., 41 F.3d 39, 43, 45 (2d Cir. 1994)* (dilution by blurring may occur where defendant "uses or modifies" plaintiff's trademark; alteration of plaintiff's mark may dilute the mark), in crafting its charge. When read as a whole, the charge correctly and adequately advised the jury on the role that the similarity between the plaintiff's and defendant's marks should have in their deliberations.

Moreover, there can be no serious argument that the plaintiff's and defendant's marks were not substantially similar. We Care's hangtag was simply a slightly altered or modified form of plaintiff's registered mark. Seen from a distance, they were indistinguishable. We Care's hangtag shares the same lozenge shape and coarsely beaded chain as Coach's hangtag, although it lacks the word "Coach" embossed on the front or back of the tag and is made of vinyl rather than leather. Based on evidence presented at trial, the jury was entitled to find [*39] that We Care's hangtag was a modification or alteration of Coach's hangtag which reduced its value or harmed the ability of Coach's hangtag to serve as the unique identifier of Coach's products. n31

----------Footnotes----------

n31 Relying on its interpretation of dilution as requiring "identical" use, We Care also asserts that the jury acted inconsistently when it found We Care liable for dilution of trademarks '707 and '098

but not for trademark infringement of '707 and '098 because the law of trademark infringement requires "merely" that the defendant use the trademark in a manner likely to cause confusion between the plaintiff's product and the defendant's product while dilution requires that the defendant make an almost identical use of the plaintiff's mark. As discussed above, however, the defendant's interpretation of the requirements of dilution are incorrect. In any event, the elements of these claims are different, and there is no inconsistency in failing to find a likelihood of confusion on one hand, but finding tarnishment or blurring on the other hand.

----------End Footnotes---------- [*40]

C. Motion to Modify the Injunction

We Care moves to modify two aspects of the injunction. n32 It complains of one of the five specific combinations of features that are enjoined, to wit, a combination of bound edges and glove-tanned leather (or materials that appear to be glove-tanned leather). We Care also challenges the application of the injunction to backpacks.

----------Footnotes----------

n32 In addition to its motion for a new trial, We Care filed a second motion to amend the injunction on May 25, 2001. The May 25 Motion is untimely whether brought under Rule 59, Fed. R. Civ. P., or Rule 60, Fed. R. Civ. P. The motion is in the nature of a Rule 59 motion since it seeks to alter or amend the judgment. See *Osterneck v. Ernst & Whinney, 489 U.S. 169, 174, 103 L. Ed. 2d 146, 109 S. Ct. 987 (1989)* ("[A] post-judgment motion will be considered a Rule 59(e) motion where it involves 'reconsideration of matters properly encompassed in a decision on the merits.'") (quoting *White v. New Hampshire Dep't of Employment Sec., 455 U.S. 445, 451, 102 S. Ct. 1162, 71 L. Ed. 2d 325 (1982)); McCowan v. Sears, Roebuck & Co., 908 F.2d 1099, 1103 (2d Cir. 1990)* (noting that "most substantive motions brought within ten days of the entry of judgment are functionally motions under Rule 59(e), regardless of their label or whether relief might also have been

obtained under another provision"). The time for filing a Rule 59 motion expired on April 19, 2001.

We Care asserts in its reply brief that the motion is brought under Rule 65 "with the additional basis of the newly discovered evidence under Rule 60." It claims that the new evidence consists of six handbags made by well-known manufacturers, such as Liz Claiborne and Dooney & Burke, which it vaguely asserts it has "the opportunity" to sell but which it fears violate the injunction. Rule 60(b)(2) provides that a party may move for relief from judgment based on "newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." See also *United States v. International Brotherhood of Teamsters, 247 F.3d 370, 391 (2d Cir. 2001)*. Such a motion is "generally not favored and is properly granted only upon a showing of exceptional circumstances." Id. The party moving for relief must meet an "onerous standard." *Id. at 392*. Specifically, the movant must
demonstrate that (1) the newly discovered evidence was of facts that existed that the time of trial or other dispositive proceeding, (2) the movant must have been justifiably ignorant of them despite due diligence, (3) the evidence must be admissible and of such importance that it probably would have changed the outcome, and (4) the evidence must not be merely cumulative or impeaching.

Id. (citation omitted). We Care fails to address or satisfy any prong of this test.

----------End Footnotes---------- **[*41]**

On March 26, 2001, the Court held an extended conference with the parties to discuss a proposed order of permanent injunction submitted by Coach and a mark-up of that proposed order provided by We Care. The parties agreed that the record for the decision as to the scope and nature of any permanent injunction would be the trial record. At the conclusion of the conference, the Court gave the parties until March 28 to submit any legal or factual argument addressed to the Court's preliminary rulings at the conference about the scope of the proposed injunction. The defendant made no submission.

The injunction prohibits We Care from, inter alia, manufacturing, importing, distributing, advertising, promoting, or selling, as well as offering for sale the six handbag styles featured at trial and from assisting others to do so. The injunction further enjoins these activities in connection with any handbag, tote bag or backpack in combination with (a) the four trade dress elements, or (b) a lozenge-shaped hangtag and beaded chain, whether or not the hangtag includes the word "Coach." In connection with handbags alone, it also enjoins these activities for handbags comprised of:

(1) **[*42]** glove-tanned leather (or simulated glove-tanned leather) and bound edges; or

(2) glove-tanned leather (or simulated glove-tanned leather), bound edges, and brass (or nickel-plated brass) hardware (or simulated brass hardware); or

(3) lozenge-shaped hangtag attached by a beaded chain to a glove-tanned leather (or simulated glove-tanned leather) handbag in combination with either

(i) bound edges; or

(ii) brass (or nickel-plated brass) hardware (or simulated brass hardware).

Pursuant to Rule 65(d), Fed. R. Civ. P., every order granting an injunction "shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not only by reference to the complaint or other document, the act or acts sought to be restrained." An injunction must be "more specific than a simple command that the defendant obey the law." *S.C. Johnson & Son, Inc. v. Clorox Co., 241 F.3d 232, 240 (2d Cir. 2001)* (citation omitted). Rather, an injunction must "be specific and definite enough to apprise those within its scope of the conduct that is being proscribed." *Id. at 240-41* (citation omitted); see also **[*43]** *Lau v. Meddaugh, 229 F.3d 121, 123 (2d Cir. 2000)*. The rule against "'broad, vague injunctions'" aims to

"'prevent uncertainty and confusion on the part of those to whom the injunction is directed.'" *241 F.3d at 241* (citation omitted). Injunctions forbidding the sale of items "confusingly similar" to those described with specificity in the injunction have been approved. See *Wella Corp. v. Wella Graphics, Inc., 37 F.3d 46, 48 (2d. Cir. 1994).* As significantly for our purposes, a party who "has once infringed a trademark may be required to suffer a position less advantageous than that of an innocent party." Id.

We Care argues that the injunction provides Coach with an undeserved monopoly in that the Court enjoined We Care from selling handbags that employ a combination of binding and glove-tanned leather (or simulated leather) even though that particular combination has been selling longer than Coach has been in business. We Care also argues that the injunction improperly covers backpacks. The defendant's arguments are without merit. The combination of simulated leather and bound edges are present on every Coach knock-off. In contrast, some Coach styles **[*44]** use little hardware, so that feature may not be important to a particular knock-off. Of course, the hang tag is easily removed. Backpacks were included within the scope of the injunction because the We Care sales brochure includes knock-offs of Coach backpacks. As the Court noted at the conclusion of a nearly two-hour conference on March 26, it planned to

include in the injunction's terms, reference to tote bags and backpacks based upon other evidence at trial . . . including Plaintiff's Exhibit 135, a We Care brochure reflecting a page of Coach knock-offs that included not only handbags . . . but also a tote bag and backpacks. . . .

I should say that in my view, because the hangtag is so easily removed from the knock-off handbags, and other products at issue here, any injunction that would be limited to a product that had the hangtag attached could be so easily evaded as to make the injunction worthless and toothless.

Consequently, I am not requiring the hangtag to be present to bar the importation or selling of a Coach knock-off. I do find it, though, to be a critical element that the product at issue have the glove-tanned

leather and the bound edges. Or if the hangtag [*45] is attached, that it is the Coach look alike hangtag. Then the gloved-tanned leather in combination with the hangtag and either the bound edges or the brass is sufficient. n33

. . . The principal items that create the Coach trade dress, and a confusingly similar knock-off, are the bound edges and the gloved-tanned leather. Some Coach items have much less hardware than others. And, therefore, the absence of the hardware on a particular item may not be . . . compelling indices of whether or not it is a successful knock-off.

----------Footnotes----------

n33 The transcript's punctuation has been altered here to assist the reader.

----------End Footnotes----------

We Care has offered no legal authority or factual argument to undermine this analysis. n34 Given We Care's deliberate, repeated, and bad faith infringement Coach products, it is appropriate to prohibit We Care from selling items that contain less than all four elements of the Coach trade dress, including items with the two elements that are present in each Coach Classic Collection handbag and were integral to [*46] each of the We Care knock-offs of those handbags – the simulated leather and bound edges. After all, "any doubts in respect of the reach of appropriate injunctive relief should be resolved in favor of an innocent plaintiff and against a willful infringer." *Imagineering, Inc. v. Van Klassens, Inc., 851 F. Supp. 532, 541 (S.D.N.Y. 1994)*. We Care's behavior, including the blatantly false trial testimony of its principals, its efforts to evade scrutiny by failing to keep the most basic business records, and its willingness to continue to infringe Coach's trademark rights even after being sued, justify the imposition of an injunction which ensures that We Care cannot duck the intent of the injunction by selling Coach knock-off products in a modified form. Accordingly, the defendant's motion to vacate the injunction is denied.

----------Footnotes----------

n34 Further, to the extent that We Care's complaint that the injunction bestows upon Coach a monopoly is an argument that We Care will be unable to compete, it too is unpersuasive. The ban on combining leather (or simulated leather) and bound edges will not prevent the defendant from selling handbags. Henry Goldsmith, We Care's own expert, testified at trial that there are numerous ways to make handbags competitive with Coach bags that would not employ the four trade dress elements of Coach bags, singly or in combination.

----------End Footnotes---------- **[*47]**

II. Plaintiff's Motion for Sanctions and Attorneys' Fees

A. Sanctions

In response to the filing of the May 25 Motion, plaintiff moves for sanctions against defendant's counsel pursuant to *28 U.S.C. § 1927.* Section 1927 states that an attorney "who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct." See also *Eisemann v. Greene, M.D., 204 F.3d 393, 396 (2d Cir. 2000).* While the district court has discretion in awarding sanctions, it must find "clear evidence that (1) the offending party's claims were entirely without color, and (2) the claims were brought in bad faith – that is, 'motivated by improper purposes such as harassment or delay.'" *Id. at 396* (citation omitted). This bad faith standard has been interpreted "restrictively" by the Second Circuit, and judges must make their decisions to impose sanctions "'with restraint and discretion.'" Id. (citation omitted). While the defendant's May 25 motion is unmeritorious and was brought **[*48]** despite the Court's specific admonition that it be timely, there is insufficient evidence that the claims were brought in bad faith. Accordingly, the Court declines to impose sanctions.

B. Attorneys' Fees

Coach seeks an award of $ 405,578.94 in total fees and costs. We Care does not object to Coach's request for attorneys' fees on the more traditional grounds that they are duplicative or unreasonable, except to the extent that it argues fees should be awarded only for those claims on which Coach won at trial. Rather, We Care argues primarily that no fees should be awarded because this case is not an "exceptional case" under the Lanham Act.

1. "Exceptional Case" Analysis

Pursuant to Section 1117(a), 15 U.S.C., a court may award "reasonable attorney fees" to the prevailing party in "exceptional cases." In addition to being confined to exceptional cases, the Second Circuit has held that attorney fees should be awarded "only 'on evidence of fraud or bad faith.'" *Gordon and Breach Science Publishers S.A. v. American Institute of Physics, 166 F.3d 438, 439 (2d Cir. 1999)* (citation omitted). While a finding of bad faith does not require the court to award **[*49]** attorneys' fees, a district court abuses its discretion if it does not consider whether an award of attorneys' fees is appropriate where willful infringement is involved. See *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 753 (2d Cir. 1996).*

We Care's primary argument is that it did not act in bad faith and that the jury verdict, finding no bad faith, is binding. With the parties' consent, the Court took an advisory verdict from the jury on the issue of the defendant's bad faith.

It is undisputed by the parties that the decision to award attorneys' fees is left to the Court and that bad faith is an element of the attorneys' fee analysis. While We Care argues that the Court is bound by the jury's decision on bad faith, and argues that the Court must apply a Rule 50 standard in order to "overturn" the jury's decision on bad faith, a judge sitting with an advisory jury "is not bound by the findings of the advisory jury, which [the judge] is free to adopt in whole or in part or to totally disregard." *Ragin v. Harry Macklowe Real Estate Co., 6 F.3d 898, 907 (2d Cir. 1993)* (citation omitted).

Evidence of bad [*50] faith on the part of Robert and Gil Chun in this case was overwhelming. While the Chuns denied intentionally copying Coach's bags, the evidence presented by Coach showed that We Care specifically ordered look-alike bags from China, that the owners traveled to the Far East three or four times per year where they had direct contact with Far East manufacturers, and that one of their sons in Hong Kong supervised production and delivery. Using a blank hangtag made it possible to import the bags without them being seized as counterfeit by customs officials, but also facilitated the final step in the counterfeiting process. All that was left to be done – as the videotape from the police raid demonstrated – was embossing the "Coach story" on the inside of the bag and the Coach name on the blank hangtag. We Care sold hundreds of the Coach knock-offs to counterfeiters just blocks away from its New York address. Testimony from Gil Chun that she never sought any opinion from counsel about her right to sell the knock-offs reinforces the conclusion of bad faith.

Two members of the Chun family gave false testimony at trial. Gil Chun testified that she was unaware that her bags looked like Coach [*51] bags, that We Care kept no price lists, and that the one identified price list did not belong to We Care. She further testified, against overwhelming evidence, that her company maintained no relationship with We Care organizations in Los Angeles and Chicago. Her son, Robert, refused to identify his own handbags or We Care's hangtags and denied knowledge of We Care's tax return preparation, despite his extensive and sophisticated business background and heavy involvement in the family business.

Despite the sophisticated administration and business backgrounds of both Chuns, they testified that the only records kept on computer were outstanding accounts receivable. There was inadequate explanation as to what happened to those computer files once the accounts were paid. The deliberate choice not to keep records customarily kept by businesses may have been primarily motivated by a desire to evade taxes, but it also made it easier to conceal their distribution of imported knock-off handbags. In addition, Gil Chun explained her failure to produce any appreciable quantity of records during discovery with a flood at We Care's store

in February 2000. Nonetheless, We Care still failed to produce **[*52]** a complete set of documents related to their purchases made after February 2000. As a result, effectively the only records of purchases came from one of the Chuns' banks and even then the most current record from that bank is dated 1999. Finally, both Chuns testified that they kept no copies of pre-2000 computer records when they changed their computer system in 2000, despite the fact that this lawsuit was filed in 1999, and We Care knew or should have known that its pre-2000 activity would be at issue.

We Care makes several additional arguments against the award of attorneys' fees by singling out specific factors and attempting to make them determinative. Even taken together, however, these factors do not persuade the Court, given the extensive evidence of bad faith, that an attorneys' fee award is unwarranted.

First, citing *Simon & Schuster, Inc. v. Dove Audio, Inc., 970 F. Supp. 279, 302 (S.D.N.Y. 1997)*, and *Gidatex v. Campaniello Imports, Ltd., 82 F. Supp. 2d 136, 148-49 (S.D.N.Y. 2000)*, We Care argues that fees are not merited because the outcome was not a "foregone conclusion" and the issues "close and contested" as evidenced by the fact that **[*53]** the jury deliberated for almost two days and the plaintiff did not win on all of its claims. The cases cited by We Care, place consideration of this factor within the context of the larger case. The Simon & Schuster court found deliberate infringement but declined to award attorneys' fees at least in part because the case "presented a number of close and contested issues," but it made no finding of bad faith approaching the behavior that has occurred in this action. *Simon & Schuster, 970 F. Supp. at 302.* Likewise, the decision not to award fees in Gidatex was based in large part on the fact that the action formed but one part of a protracted litigation during which the Court found the defendant to have acted justifiably. *Gidatex, 82 F. Supp. 2d at 148-49.*

We Care next argues that the Court must consider the defendant's conduct after it became aware of the plaintiff's allegations which, in this case, occurred with the filing of the Complaint. If anything, this factor reinforces an award of fees. As noted above, Gil and Robert Chun either destroyed or failed to produce pre-2000 documents when installing a new computer system in 2000, and failed **[*54]** to

cooperate during discovery. In addition, as seen by the police raid videotape at trial, We Care continued to sell infringing products to counterfeiters nearly two years after the case was filed. Their excuse for these continued sales is that they did not know precisely what Coach claimed as its trade dress. This is a frivolous argument. From the beginning of this case Coach identified six of its classic collection handbags which it asserted had been "knocked off" by We Care and its Complaint identified in almost identical language to that relied upon at trial the four components of its trade dress. n35

----------Footnotes----------

n35 The Complaint says: "Coach's distinctive, original and arbitrary Trade Dress of source identifying characteristics includes, among other elements: heavy, soft leather; bound edges; distinctive hardware; and distinctive appearance and readily identifiable shapes and sizes."

----------End Footnotes----------

We Care next argues that Coach is not entitled to attorneys' fees because the jury awarded no monetary damages to Coach. The failure **[*55]** to win an award of damages should be considered by the Court in deciding whether this case is an "exceptional" one warranting an award of attorney fees, *Lurzer GMBH v. American Showcase, Inc., 75 F. Supp. 2d 98, 102 (S.D.N.Y. 1988),* but a "failure to prove actual damages does not preclude an award of attorneys' fees." See, e.g., *Fruit of the Loom, Inc. v. American Mktg. Enters., 1999 U.S. Dist. LEXIS 11060, 1999 WL 527989,* at *2 (S.D.N.Y. July 21, 1999); see also *Springs Mills, Inc. v. Ultracashmere House Ltd., 724 F.2d 352, 357 (2d Cir. 1983)* (noting that the district court should have considered availability of award of attorneys' fees even though plaintiff had not shown lost sales and parties were not competitors).

In this case, the failure to award damages is of little weight. Coach chose not to seek the infringers' profits since We Care made any comprehensive proof of its sales and net profits virtually impossible when it failed to produce business records. Coach chose instead to

seek its own lost profits based on records of We Care imports produced by We Care's bank for the period between November 1998 and May 1999, and a projection of those numbers over a multi-year period. The jury's decision not to award damages **[*56]** on this theory was entirely predictable. A person interested in having a Coach bag will see as soon as she picks up a We Care bag that it is made with inferior materials and workmanship. Awarding damages for Coach's lost profits would have required speculation, which the jury was specifically instructed to avoid.

Finally, We Care argues that a party seeking attorneys' fees based on bad faith must provide the court with highly specific factual findings of a party's misconduct and may only receive fees for the claims upon which it prevailed at trial. In support of these arguments, however, We Care relies on case law outside the context of the Lanham Act. In any event, as already described, the trial record was filled with specific factual examples of We Care's intentional misconduct. To the extent that the defendant has pointed to litigation expenses that are properly attributable solely to claims on which the plaintiff did not prevail, they shall be excluded from the fee award.

In light of the strength of the material evidence presented at trial against We Care, the extensive findings of bad faith, and the absence of mitigating factors, this action is an "exceptional case" for which **[*57]** an award of attorneys' fees should be awarded.

2. Analysis of Amount of Fees

Coach was initially represented in this action by the law firms of Cooley Godward LLP and Sachnoff & Weaver in Chicago, where this action was initially filed and by Gibney, Anthony and Flaherty LLP. In the fall of 2000, Cooper & Dunham LLP ("Cooper & Dunham") replaced all three law firms and represented Coach through the trial and post-trial motions in this action. The requests for fees and costs come primarily from Cooper & Dunham, which asks for $ 295,969.00 in fees and $ 50,888.23 in costs. Each of the other law firms requests approximately $ 14,000.00 in fees and between $ 400.00 and $ 1650.00 in costs.

Cooper & Dunham represented Coach in pre-trial matters by opposing a motion made by the defendant to amend its answer and add counterclaims, by completing discovery, and by filing all pre-trial papers. It served as trial counsel during a ten-day trial and subsequently prepared a draft permanent injunction. It has opposed two sets of post-trial motions made by We Care and addressed in this Opinion.

Cooper & Dunham requests reimbursement for a total of 1043.50 hours of work performed primarily by **[*58]** four attorneys, with billing rates ranging from $ 180.00 to $ 390.00 per hour. They have sought costs for a variety of tasks, including meals, telephone charges, transportation, computer research, courier service, and photocopying. Defendant has challenged neither the rates charged by Cooper Dunham nor the number of hours worked or the itemized cost requests. With one exception, this Court finds both Cooper & Dunham's rates and time billed as well as its costs to be reasonable and awards them the fees and costs they have requested. There is no need to reduce the award to Cooper & Dunham because of any deviations in the definition of the trade dress or the failure to win damages at trial. With respect to the latter issue, virtually all of the discovery and trial evidence was relevant to the issuance of the injunction and proof of the defendant's bad faith. It is appropriate, however, to reduce the award of fees for the time spent in opposing the motion to amend. Cooper & Dunham shall have five days from this Opinion to submit a revised request with those fees and costs removed.

The remaining three law firms, while submitting detailed time sheets of work performed on behalf of Coach, **[*59]** have provided no information regarding billing rates nor even the names of the attorneys working on this action. A declaration made by Carole Sadler on behalf of Coach in support of the attorneys' fees application mentions two partners, but the time sheets themselves provide the initials and/or names of other individuals who are either not identified at all or identified with billing rates but without employment titles or total amounts billed. While defendant has offered no challenge to the rates, hours, or costs charged by these law

firms, the Court lacks a complete presentation from which to evaluate the reasonableness of all of the fees charged and costs incurred. Moreover, some of the legal work undertaken by one or more of these law firms was unsuccessful, including the motion for summary judgment. In consideration of all of these deficiencies, the three law firms will be jointly awarded a total of $ 10,000.00 in fees, and $ 1,200.00 in costs, to be allocated among them by Ms. Sadler.

CONCLUSION

For the reasons discussed above, We Care's multiple motions made pursuant to Rules 50, 59, 60, and 65, Fed. R. Civ. P., are denied. Coach's motion for sanctions is denied. Coach's **[*60]** motion for attorneys' fees is granted in part and denied in part.

SO ORDERED:

Dated: New York, New York

July 18, 2001

DENISE COTE

United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
SUMMARY ORDER
THIS SUMMARY ORDER WILL NOT BE PUBLISHED IN THE FEDERAL REPORTER AND MAY NOT BE CITED AS PRECEDENTIAL AUTHORITY TO THIS OR ANY OTHER COURT, BUT MAY BE CALLED TO THE ATTENTION OF THIS OR ANY OTHER COURT IN A SUBSEQUENT STAGE OF THIS CASE, IN A RELATED CASE, OR IN ANY CASE FOR PURPOSES OF COLLATERAL ESTOPPEL OR RES JUDICATA.

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 20th of May, of two thousand and two.

Present: JOSEPH M. MCLAUGHLIN,
ROSEMARY S. POOLER,
BARRINGTON D. PARKER, JR.
Circuit Judges.

COACH, INC.,
Plaintiff-Appellee,
-v- (01-7968, 01-9162)
WE CARE TRADING CO., INC., a New York Corporation,
Defendant-Appellant.
Appearing for Appellant: Stephen E. Feldman, New York, NY.
Appearing for Appellee: Norman H. Zivin, New York, NY.
Appeal from the United States District Court for the Southern District of New York
(Cote, J.).

ON CONSIDERATION WHEREOF, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the judgment of said District Court be and it hereby is **AFFIRMED** in part and **VACATED** in part.

Defendant We Care Trading Co., Inc. ("We Care") appeals from a judgment of the district court granting plaintiff Coach, Inc.

("Coach") injunctive relief and attorney's fees and denying We Care's post-trial motions made pursuant to Federal Rules of Civil Procedure 50, 59, 2 60 and 65. The judgement and subsequent injunction are based on a jury's findings that (1) We Care infringed Coach's trade dress for its classic handbags, which was defined at trial as glove tanned leather, bound edges, brass or nickel-plated brass hardware, and a lozenge-shaped hang tag with a beaded chain, which "is somewhat rectangular in shape with rounded edges and a protrusion on one end which has a hole in it through which the beaded chain may extend so that the beaded chain can attach to the hang tag;" (2) We Care diluted Coach's trademark, the hang tag with the "COACH" mark embossed on it; (3) We Care contributorily infringed Coach's trade dress; (4) We Care did not either directly or contributorily infringe Coach's trademark; (5) Coach was not entitled to damages; and (6) in response to a request for an advisory verdict, that We Care had not acted in bad faith.

After the verdict, the district court denied We Care's post-verdict motions, awarded Coach attorney's fees on its Lanham Act claims, and entered a permanent injunction that enjoined We Care (1) from manufacturing, distributing, or selling certain handbags specified by style number or bags confusingly similar in style to those handbags but bearing a different style number; (2) manufacturing, distributing or selling (a) handbags, tote bags or backpacks that included glove-tanned leather, bound edges, brass (or nickel-plated brass) hardware, and a lozenge shaped hangtag attached to the bag with a beaded chain or (b) "any confusingly similar trade dress which includes at least the following combination of elements: (i) a handbag comprised of glove-tanned leather (or simulated glove-tanned leather) and bound edges; or (ii) a lozenge shaped hang tag attached to a handbag by a beaded chain wherein the handbag is comprised of glove-tanned leather (or simulated glove-tanned leather) and either bound edges or brass (or nickel-plated brass) hardware (or simulated brass hardware); or (iii) a handbag comprised of glove-tanned leather (or simulated glove-tanned leather), bound edges and brass (or nickel-plated brass) hardware (or simulated brass hardware)"; (3) manufacturing, distributing or selling handbags, tote bags, or backpacks with a hang tag having the same shape as Coach's hang tag

whether or not it included the word Coach; and (4) assisting others in carrying out these acts.

On appeal, We Care argues that it is entitled to judgment as a matter of law or a new trial because (1) Coach failed to adequately articulate its trade dress; (2) the court's rulings on functionality were erroneous and prejudicial and plaintiff presented no evidence of nonfunctionality; (3) the court made erroneous evidentiary rulings; (4) Coach presented no evidence of secondary meaning; (5) Coach did not prove likelihood of confusion; (6) there was no evidence to support the contributory trademark infringement claim; and (7) the court made erroneous rulings on dilution. We Care also seeks reversal of the district court's award of attorney's fees and reversal or modification of its injunction.

Coach argues that we cannot review the district court's denial of We Care's Rule 50 motion because We Care failed to renew this motion at the close of all the evidence and moved only with respect to the trade dress claims. The record demonstrates that We Care moved for judgment as a matter of law only on the trade dress claims and only on the bases that (1) Coach failed to articulate a consistent trade dress and (2) Coach produced insufficient evidence of secondary meaning. We Care did not renew this motion at the close of all evidence. [However, Coach itself waived the right to rely on We Care's omission because it did not object in district court. Gibeau v. Nellis, 18 F.3d 107, 109 (2d Cir. 1994). Although the district court determined sua sponte that We Care's Rule 50 motion was barred on procedural grounds, we assume without deciding – that we can review both the Rule 50 and the Rule 59 decisions. We will reverse the denial of Rule 50 relief only if "the evidence, viewed in the light most favorable to [Coach], is insufficient to permit a reasonable jury to rule in [its] favor." Galdieri-Ambrosini v. Nat'l Realty & Dev. Corp., 136 F.3d 276, 289 (2d Cir. 1998). We reverse the district court's denial of a Rule 59 motion only if it abused its discretion. Baker v. Dorfman, 239 F.3d 415, 422 (2d Cir. 2000). However, "where a district court denies a motion for a new trial made on the ground that the verdict was against the weight of the evidence, such a ruling is not reviewable on appeal." Id. (internal quotation marks omitted).

We Care first argues that Coach did not articulate a trade dress with sufficient specificity. We reject this argument because the court, in its charge to the jury, clearly indicated that the trade dress was limited to four elements in combination: glove tanned leather, bound edges, brass or nickel-plated brass hardware, and a lozenge shaped hang tag with a beaded chain. Yurman Design, Inc., v. PAJ, Inc., 262 F.3d 101 (2d Cir. 2001), on which We Care relies, held that a plaintiff must articulate its trade dress because (1) jurors may conceive a vaguely described trade dress in terms of different features, resulting in a verdict based on inconsistent findings or they may be unable to evaluate secondary meaning, overbreadth, or non-functionality; (2) in the absence of a precise description, the court may craft an injunction that is too broad; and (3) the vagueness of the description may indicate that the proponent "seeks protection for an unprotectible style, theme, or idea" 262 F.3d at 117. The court's charge, based on Coach's description was sufficiently specific to require the jurors to focus on a common set of features and to allow them to evaluate secondary meaning, overbreadth, and functionality. Moreover, the description of the combination of elements does not describe "a style, theme, or idea."

We Care next contends that Coach failed to satisfy its burden, of showing that its trade dress is not functional. See 15 U.S.C. §1125(a)(3). "[A] product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." Traffix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 32 (2001) (internal quotation marks omitted; emphasis added). Even if individual elements of a trade dress are functional, their arrangement or combination may be "arbitrary, fanciful, or suggestive" and thus deserve trade dress protection. Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27, 32 (2d Cir. 1995). Coach offered proof that the combination of elements it claims as its trade dress is not essential to the use or purpose of handbags. Thus, the jury reasonably could have concluded that Coach's trade dress was not functional.

We Care also argues the court erroneously prevented We Care from demonstrating the functionality of Coach's trade dress by not allowing evidence that Coach made several trademark applications

that were initially rejected and that Coach ultimately abandoned. Because these applications were for general handbag design rather than for the combination of features claimed in this lawsuit, they were not relevant and the court correctly refused to admit them. We Care also attacks the sufficiency of Coach's proof on secondary meaning. In order to establish secondary meaning, a trade dress proponent must show that "in the minds of the public, the primary significance of [the trade dress] is to identify the source of the product rather than the product itself." Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.11. Indicators of secondary meaning include advertising expenditures used to link a product with its mark; consumer studies or direct testimony from consumers linking the mark to the source; sales success; unsolicited media coverage; attempts to plagiarize; and length and exclusivity of use of the mark. Centaur Communications v. A/S/M Communications, Inc., 830 F.2d 1217, 1222-25 (2d Cir. 1983). Coach offered survey results suggesting that consumers linked three of the four features in Coach's claimed trade dress with Coach. We Care contends that these survey results lack relevance and reliability because they are several years old; We Care's consumer base, women who pay less than fifty dollars for a handbag, was excluded; and the survey did not test for the hang tag. The court did not abuse its discretion by finding that the relevance of the survey results outweighed their prejudicial effect. Fed. R. Evid. 403. We Care was able to crossexamine Coach's expert extensively, obviating any potential prejudicial effect, and the survey results tended to establish a close identification in consumers' minds between three out of four of the claimed features and Coach. The addition of the hang tag would only strengthen that association. Coach also offered proof of substantial advertising featuring its trade dress as well as evidence of a significant amount of copying.

We Care's contention that Coach failed to offer sufficient evidence for a finding of likelihood of confusion borders on the frivolous. Coach offered the jury significant evidence on the strength of its trade dress, the similarity of the two trade dresses, and the market proximity of the products. See Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (listing relevant factors).

We Care contends that the district court improperly permitted the addition of the contributory trade dress infringement claim on the eve of trial, thus depriving it of needed discovery. This contention has no merit. Under Federal Rule of Civil Procedure 15(b), the district court may consider, and indeed try claims outside of the pleadings so long as doing so does not cause prejudice. Cruz v. Coach Stores, Inc., 202 F.3d 560, 569 (2d Cir. 2000). We Care conducted discovery on Coach's trade dress infringement claim (which encompassed the same facts) and on the contributory trademark infringement claim. Both of these claims were alleged in the complaint. We Care now claims that it would have taken depositions of Coach's principals on the contributory trademark infringement claim "and moved from there." This vague contention is insufficient to establish prejudice.

Although We Care did not object to the submission of the contributory trade dress infringement claim to the jury, it argues that it was impossible for the jury to find trade dress infringement and contributory trade dress infringement on the same facts. We Care waived this objection by its failure to object before the jury retired unless the error is fundamental. Fed. R. Civ. P. 51; Jarvis v. Ford Motor Co., 283 F.3d 33, 54 (2d Cir. 2002). "Fundamental error is more egregious than the 'plain' error that can excuse a procedural default in a criminal trial and is so serious and flagrant that it goes to the very integrity of the trial." Id. at 61 (internal quotation marks and citations omitted). We find no fundamental error here.

We Care also attacks the jury's dilution verdict, claiming that Coach did not show its trademark (the hang tag) was famous or distinctive and that there was insufficient similarity between the two marks to cause blurring or dilution. We have already determined that Coach's hang tag "ha[s] become distinctive and valuable through Coach's promotional efforts and by virtue of its upscale reputation" and that the hang tag's "inherently distinctive shape and composition . . . leads us to conclude that the mark is a fanciful one." Coach Leatherware Co. v. Ann Taylor, Inc., 933 F.2d 162, 170 (2d Cir. 1991). Thus the jury's determination that the hang tag was famous and distinctive was not unreasonable. We also determined in Ann Taylor, that the leather tag there was confusingly similar to Coach's despite the manufacturer's addition of a cardboard tag with its own name

and its embossing of the leather tag with the retailer's name. Id. n.1. Although a finding of confusing similarity does not compel a finding of dilution, we believe that the substantial similarity of the two marks here coupled with the use of Coach's very distinctive hang tag shape amply justified the jury's verdict.

"In a suit under the Lanham Act, attorney fees should be awarded only in exceptional cases and only on evidence of fraud or bad faith." Gordon and Breach Science Publ. S.A. v. Amer. Inst. of Physics, 166 F.3d 438, 439 (2d Cir. 1999) (internal citations and quotation marks omitted). We Care contends that this standard was not met because (1) the jury in its advisory verdict found no bad faith; (2) the case was close and Coach did not prevail on all its claims; and (3) the jury did not award damages. Because 15 U.S.C. § 1117(a) explicitly commits to the court the determination of attorney's fees, the court did not err in requesting only an advisory verdict from the jury. The court then was free to accept or reject the verdict. Ragin v. Harry Macklowe Real Estate Co., 6 F.3d 898, 907 (2d Cir. 1993). Moreover, the court's finding of bad faith was not clearly erroneous; there was ample proof of We Care's bad faith both pre-trial and during the trial. Finally, We Care cites no precedent establishing that either an award of damages or complete success is necessary for an award of attorney's fees. Coach's success in obtaining an injunction and the district court's well supported findings of bad faith on We Care's part, including a finding that two We Care principals perjured themselves, sufficiently support a finding of exceptional circumstances and an award of attorney's fees.

We may reverse the district court's grant of a permanent injunction only "for abuse of discretion, which may be found where the Court, in issuing the injunction, relied on clearly erroneous findings of fact or an error of law." S.C. Johnson & Son, Inc. v. Clorox Co., 241 F.3d 232, 237 (2d Cir. 2001). "Injunctive relief should be narrowly tailored to fit specific legal violations" and "an injunction should not impose unnecessary burdens on lawful activity." Waldman Publ'g Corp. v. Landoll, Inc., 43 F.3d 775, 785 (2d Cir. 1994). We Care contends that the injunction is overly broad because it prevents We Care from selling any handbag that employs a combination of glove-tanned leather (or simulated glove-tanned

leather) and bound edges. We agree. The district court justified enjoining the use of a combination of glove-tanned leather and bound edges without either the distinctive Coach hardware or its tag because "some Coach styles use little hardware, so that feature may not be important to a particular knock-off [and] the hang tag is easily removed." Because we find little or no proof in the record that glovetanned leather and bound edges without either of the other two features would cause a likelihood of confusion between We Care's handbags and Coach's trade dress, we vacate paragraph (b)(i) of the permanent injunction and otherwise affirm the district court's exercise of discretion.

FOR THE COURT:

ROSEANN B. MACKECHNIE, Clerk

By: s/ Roseann B. MacKenchnie

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
UNITED STATES COURTHOUSE
40 FOLEY SQUARE
NEW YORK 10007

ROSEANN B. MACKECHNIE
CLERK

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 19th Day of July, two thousand two.

COACH, INC.,

Plaintiff-Appellee,

v. Docket No. 01-7968(L)
01-9162(CON)

WE CARE TRADING CO., INC.,
a New York Corporation,

Defendant-Appellant.

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant, We Care Trading CO., Inc.

Upon consideration by the panel that decided the appeal,
it is Ordered that said petition for rehearing is **DENIED**.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for hte Court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT
ROSEANN B. MACKECHNIE

By: s/Arthur Heller
Arthur Heller,
Administrative Attorney

SUPREME COURT, U.S.
FILED
NOV 27
CLERK

No. 02-668

IN THE

Supreme Court of the United States

WE CARE TRADING CO., INC.,

Petitioner,

v.

COACH, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether there is a conflict among the Courts of Appeal with respect to the proctectability of a trade dress consisting of a non-functional combination of functional design features, and whether this Court should even consider that question where there were no findings in the court below that the individual elements of the trade dress were functional?

2. Whether there can be a violation of the Seventh Amendment where the court disregarded an advisory jury verdict on an issue, namely, an award of attorneys' fees under the Lanham Act, which was not triable to a jury?

STATEMENT PURSUANT TO RULE 29.6

Respondent, Coach, Inc. ("Coach"), has no parent corporation and no publicly held company owns 10% or more of its stock.

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

THE STATUTORY PROVISION INVOLVED

15 U.S.C. § 1117(a)

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a), (c), or (d) [§ 1125(a), (c), or (d)], or a willful violation under section 43(c), shall have been established in any civil action arising under this Act, the plaintiff

> shall be entitled, subject to the provisions of sections 29 and 32 [§ 1111, 1114] of this Act, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT OF THE CASE

This is a case for trademark infringement, trade dress infringement, unfair competition, and dilution brought by Respondent, Coach, Inc. ("Coach"), owner of the highly distinctive and famous COACH trademark and trade dress in its distinctive handbags. Coach's handbags are adorned with a special hangtag attached to the handbag by a beaded chain, for which Coach owns U.S. trademark registrations. The hangtag twice has been held to be famous by the Second Circuit (A 50-51).

Petitioner We Care Trading Co., Inc. ("We Care" or "Petitioner") is an importer and seller of knockoff imitation handbags. Petitioner purchases goods in the Far East as "blanks" and sells them to counterfeiters in the United States who emboss the goods with the famous trademarks of others. Petitioner imported look-alike Coach handbags with blank hangtags and sold them to counterfeiters who embossed the COACH trademark on the hangtags and in the bags. Counterfeit handbags originally imported by Petitioner were seized by the New York City Police Department during a pre-trial raid.

At the conclusion of a jury trial, a verdict was rendered in Coach's favor on its claims for trade dress infringement, contributory trade dress infringement and dilution. The District Court awarded Coach its attorneys' fees. The Court of Appeals affirmed the judgment, vacating only one clause of the permanent injunction because it was overbroad (A-52.)

Petitioner's Statement of the Case contains many misstatements of the facts and proceedings of this case. Importantly, Petitioner's identification of the four elements characterizing Coach's trade dress is incorrect. The four elements, as presented to the jury, were: glove tanned leather, bound edges, brass or nickel-plated brass hardware, and a lozenge shaped hang tag with a beaded chain (A-48). Coach's trade dress, as defined at trial, did not include "thick leather" as an element as Petitioner alleges (Pet. at 3). Nor did Coach's trade dress include an "ordinary square shaped hang tag or luggage tag." (*Id.*). Contrary to Petitioner's representations, none of Coach's witnesses testified that all four elements of Coach's trade dress were functional within the meaning of the Lanham Act.

The District Court did not instruct the jury that "any arrangement" of functional features may constitute protectable trade dress, as Petitioner contends (*Id.*). Rather, the District Court instructed the jury that only *non-functional* combinations of functional elements may be protectable trade dress (A-23.)

Petitioner incorrectly asserts that the jury "was given for consideration the issues of perjury, failure to produce papers in discovery, and bad faith" in connection with the all five sections of the special verdict. This is not true. The question on the special verdict form concerning bad faith was only advisory, and the jury was not asked to consider perjury or destruction of documents in connection with its determination of bad faith.

Notwithstanding Petitioner's misstatements and misrepresentations, it has failed to demonstrate any basis for granting its petition for a writ of certiorari.

SUMMARY OF ARGUMENT

Petitioner has failed to present any compelling reason for the grant of its petition for a writ of certiorari. Petitioner has not shown a conflict between the decision of the Court of Appeals in this case and the decision of any other Court of Appeals or any other state court. Nor has Petitioner shown that the Court of Appeals decided an important question of federal law which conflicts with any relevant precedent of this Court. Instead, Petitioner merely argues that the Court of Appeals misapplied the law of functionality with respect to trade dress protection. Petitioner also asserts that the Court of Appeals accepted a factual finding by the District Court which contradicted a factual issue given to the jury to decide. Neither assertion is true. The petition should be denied.

REASONS FOR DENYING THE WRIT

1. There is No Conflict Among the Courts of Appeal Concerning the Protectability of a Trade Dress Consisting of a Non-Functional Combination of Elements.

Petitioner incorrectly asserts that there is a conflict among the Courts of Appeal as to whether a nonfunctional combination of elements may constitute protectable trade dress. In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S. Ct. 1255 (2001), this Court defined "functionality" in the realm of trade dress law. This Court did not rule that non-functional combinations of functional elements cannot be protectable trade dress. There is nothing about the Second Circuit's decision in this case which is "in direct contradiction" to the holding of *TrafFix*. (Pet. at 6).

Petitioner relies on *Leatherman Tool Group v. Cooper Industries*, 199 F.3d 1009 (9th Cir. 1999), and *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351 (5th Cir. 2002), in an attempt to show a conflict. In *Leatherman*, the Court found that the combination of trade dress elements of a tool itself was functional and was "designed to result in superior performance." *Leatherman*, 199 F.3d at 1013. In that case, "all of the products features, including features like size, shape, texture, materials, combinations and placement of elements, etc., are chosen as a matter of *engineering* design in a functional product. . . ." *Id.* at 1011 n.3. In contrast, the Coach handbags at issue in this case are purchased for their source-identifying appearance, not their functionality. In *Eppendorf*, the Court simply held that functional features are not protectable under the trade dress law in and of themselves, but did not address whether a non-functional combination of features is protectable. There is no conflict with the Second Circuit's decision in this case.

Petitioner incorrectly asserts that "the District Court held that any combination of functional features was protectable, whether arbitrarily arranged or not, and refused to consider that a functional combination may not be protectable at all." (Pet. at 6). The District Court made no such holding. Rather, the District Court instructed the jury that even if one or more elements of Coach's trade dress is found to be functional, "you may still find the trade dress to be non-functional if you find that the combination or arrangement of features it has identified as its trade dress, when viewed in its entirety, is non-functional." (A-23). This instruction clearly and unequivocally limits trade dress protection to *non-functional* combinations, in accordance with established precedent.

Petitioner incorrectly alleges that Coach has been awarded a perpetual monopoly "over the use of any arrangement of four basic functional elements *essential* to the construction of almost every handbag." (Pet. at 4; emphasis added). In fact, the jury found that the four elements were *not* essential to the construction of a woman's handbag, and there was no evidence of any handbag on the market which included all four elements of Coach's trade dress in combination. To the contrary, there was substantial evidence of many handbags on the market which did not include the elements of Coach's trade dress. Petitioner's assertion that Coach obtained trade dress rights to "four essential functional features of almost all handbags" (Pet. at 6) is not supported by the record.

An additional fault of Petitioner's argument lies in its premise that each of the elements of Coach's trade dress is independently functional, so the combination thereof is *per se* functional (Pet. at 6). There is no basis for reaching this conclusion. Although Petitioner argued that the features

of Coach's trade dress were functional, there was substantial evidence that each feature was non-functional. There was no finding by the jury that each element of Coach's trade dress is functional. Petitioner simply disagrees with the jury verdict.

Petitioner has failed to raise an issue in this case to be addressed by this Court. Even if there were a lack of conformity among the Courts of Appeal as to whether a combination of functional features could be protectable trade dress, there is no indication that any rule of law was misapplied by the Court of Appeals in this case.

2. The Courts Below Did Not Disregard the Seventh Amendment.

Petitioner incorrectly states that certain factual questions relating to bad faith were submitted to the jury (Pet. at 7). The listed factual questions were never presented to the jury. There was only one verdict on the issue of bad faith, and it was clearly and unmistakably an advisory verdict. There is no support for Petitioner's assertion that "[i]t is the exclusive province of the jury to apply the community standards that govern bad faith" (Pet. at 8). Since the verdict on bad faith expressly was denominated as advisory upon consent (A-38), it clearly was not a factual matter for determination by the jury.[1] Importantly, Petitioner never requested a jury trial and never asked that the issue of bad faith be submitted to the jury in accordance with its now-alleged Seventh Amendment right. The Seventh Amendment simply does not apply.

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1. The case relied upon by Petitioner for the proposition that bad faith is a factual issue to be decided by the jury, *Ostrowski v. Atlantic Mutual Ins. Co.*, 968 F.2d 171, 184 (2d Cir. 1992), is inapplicable because it involved a substantive claim and not an award of attorneys' fees under the Lanham Act.

The District Court defined "bad faith" in a limited way in its instructions to the jury as follows:

> In determining whether defendant acted in bad faith, you should consider whether the defendant acted deliberately or willfully, as I have explained those terms to you, or with a callous or reckless disregard for the plaintiff's rights, whether the defendant intended to create confusion or deceive consumers, whether the defendant continued to sell the products at issue after it had received notice of the potential trademark or trade dress violation, and whether the defendant had a credible innocent explanation for its conduct.

(Tr. 1012).

Petitioner attempts to mix up the advisory jury verdict on bad faith with the issue of whether the District Court properly awarded attorneys' fees. Indeed, even the jury verdict on damages was separate from and independent of the bad faith advisory verdict. Thus, in considering whether to award damages, the jury was *not* "expressly asked if Defendant had acted in bad faith, to which they answered 'no'." (Pet. at 7). The jury was instructed that to establish entitlement to damages Coach had to prove intent, injury, causation and actual loss. The jury was further admonished that "[d]ue to the inherent difficulty . . . in isolating causation between diverted sales and injured reputation, damages are often hard to establish." (Tr. 1010). Thus, there were many potential reasons for the jury's verdict on damages. Petitioner incorrectly concludes that the jury awarded no damages because it found no bad faith.

The Court of Appeals held that the District Court's findings of bad faith (A-39 - 40) were "well supported" and not limited to the definition of bad faith as charged to the jury (A-51). Contrary to Petitioner's assertion, the Court of Appeals did not affirm the District Court's findings solely "on the basis of perjured testimony and failure to produce documents" (Pet. at 8). In any event, even it had, the jury did not consider and could not have considered perjured testimony or the failure to produce documents in an advisory verdict of bad faith as defined in the jury charge.

It is well settled that a Court is not bound by an advisory jury verdict in assessing attorneys' fees. Under the Lanham Act, attorneys' fees may be awarded to the prevailing party in "exceptional cases." 15 U.S.C. § 1117(a). The District Court has *complete discretion* to award attorneys' fees under those circumstances. *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 114 (2d Cir. 1988), *cert. denied*, 490 U.S. 1106 (1989); *Merriam-Webster, Inc. v. Random House, Inc.*, 815 F. Supp. 691, 705 (S.D.N.Y. 1993), *rev'd on other grounds*, 35 F.3d 65 (2d Cir. 1994), *cert. denied*, 513 U.S. 1190 (1995). The jury plays no more than an advisorial role in deciding whether attorneys' fees should be awarded under the Lanham Act. *See Merriam-Webster*, 815 F. Supp. at 705. The District Court is free to disregard the advisory jury verdict and reach its own conclusion. *Ragin v. Harry Macklowe Real Estate Co.*, 6 F.3d 898, 907 (2d Cir. 1993). The District Court here reached its own conclusion on attorneys' fees as required by statute, and did not overrule any factual finding determined by the jury.

Petitioner did not meet its burden on appeal of demonstrating that the District Court abused its discretion in awarding attorneys' fees. The Court of Appeals correctly affirmed the District Court's award of attorneys' fees.

CONCLUSION

For the foregoing reasons, Petitioner's petition for a writ of certiorari should be denied.

Respectfully submitted,

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